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Fred F. Alford tells: How to build output with fringe benefits *page 27*

Consolidation and relocation: How to pull yourself together *page 36*

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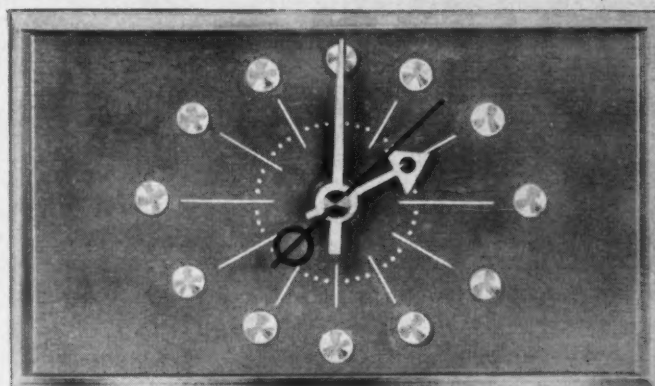
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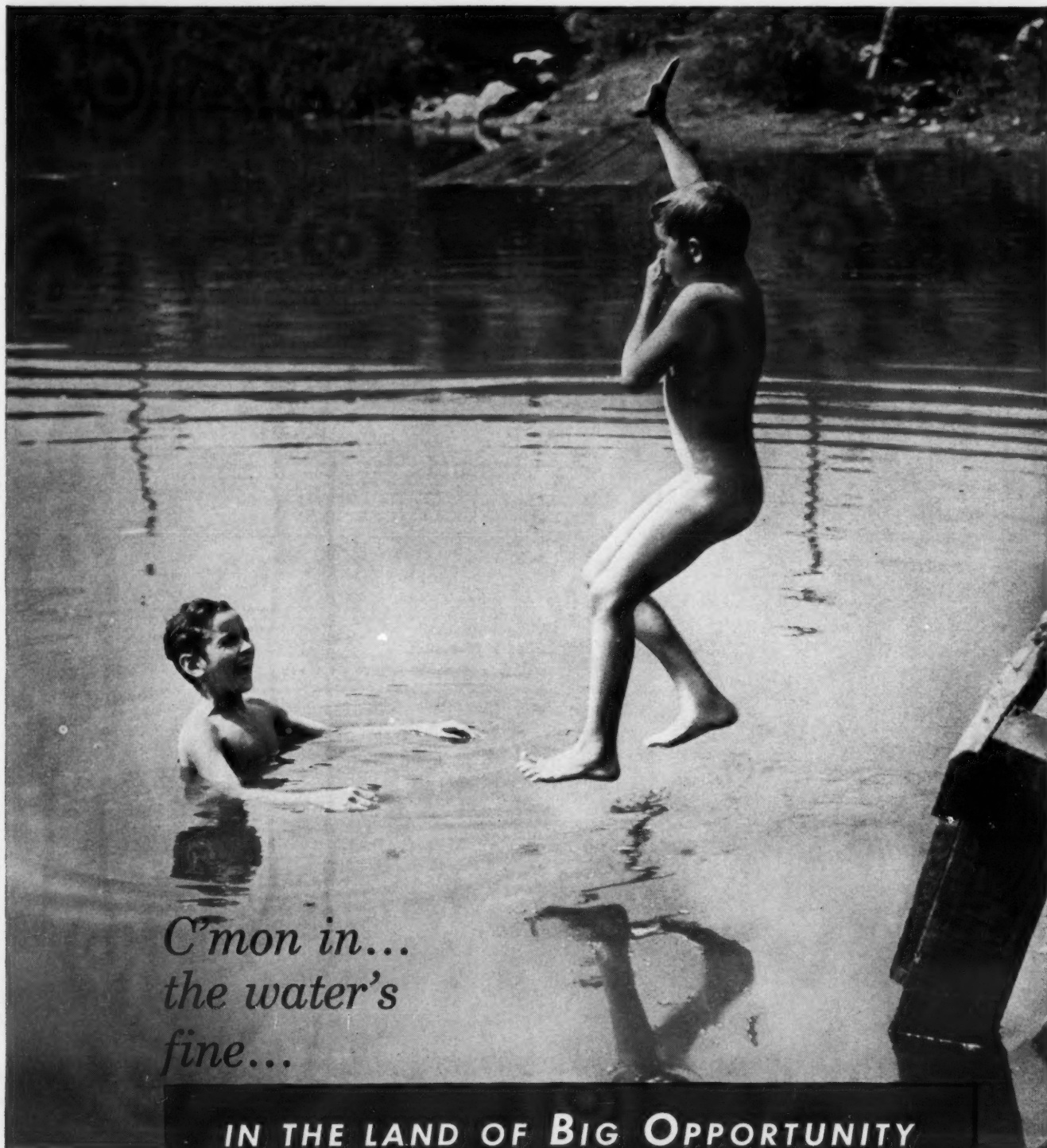
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MANAGEMENT METHODS

MANAGEMENT METHODS

AUGUST 1957 • VOLUME 12 No. 5

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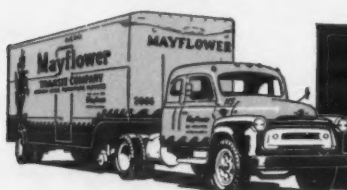


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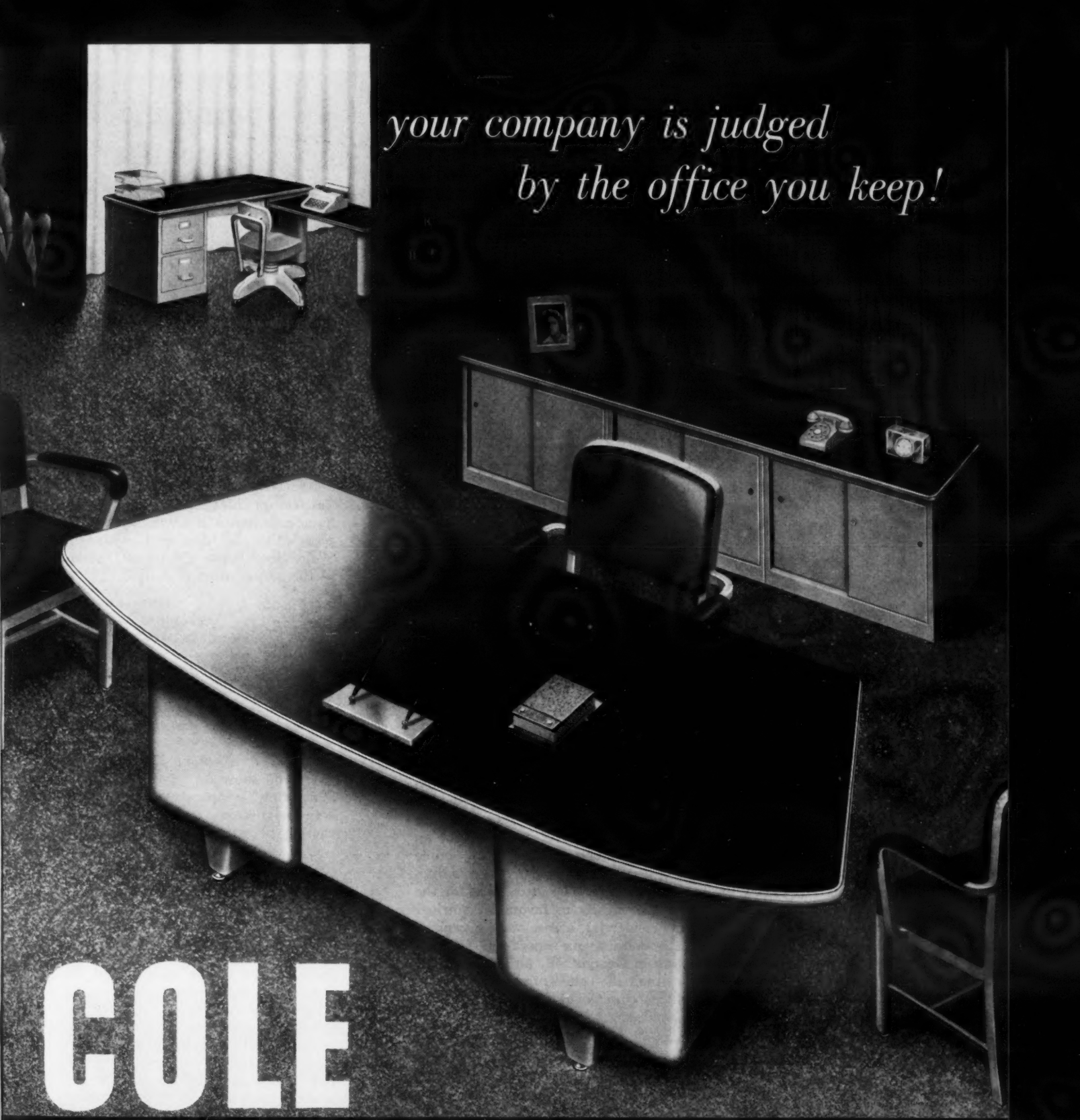
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LETTERS TO THE EDITOR

Profit sharing problems

SIR: In the June edition of *MANAGEMENT METHODS*, there is an article on "How to earn more profit by sharing it" which suggests that a profit sharing plan should be submitted for approval to the Internal Revenue Division. Because of the possibility that these plans may increase the employee's regular rate of pay for overtime requirements under the Fair Labor Standards Act, it is advisable that the plans also be discussed with the Wage-Hour Public Contracts Division of the Department of Labor.

JOHN A. HUGHES
REGIONAL ATTORNEY
U.S. DEPARTMENT OF LABOR
NEW YORK

SIR: I read with a great deal of interest your article in the June 1957 issue concerning profit sharing funds and their recent growth.

However, if you will refer to the chart you show on pages 50 and 51 illustrating comparative features of actuarial pension and deferred profit sharing plans, I believe investigation will show that how funds are supplied for deferred profit sharing plan reflects a slight error based on a recent change.

Recent consultations with the Internal Revenue Service and competent tax authorities have brought to the attention of the undersigned the fact that it is no longer necessary for a company to pay into a trust a predetermined percentage of profits. Based on a recent decision involving the Lincoln Electric Co., management can pay into a profit sharing trust any amount each year as long as it does not exceed 15% of the participating payroll.

I believe you will also find that if a company has a combination of a pension plan and profit sharing fund that the contribution to both plans as an accumulated figure is only permitted to equal 25% of the participating payroll in both plans.

W. H. OVERLY
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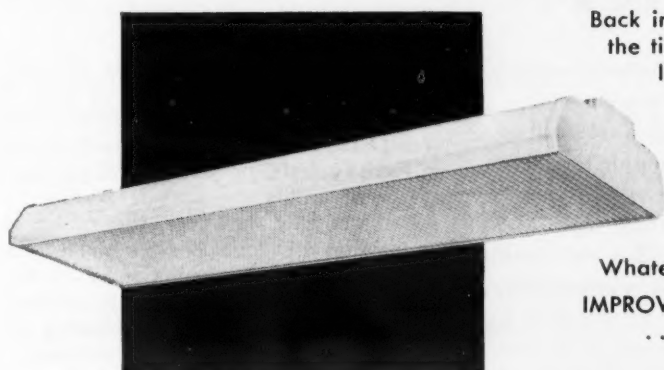
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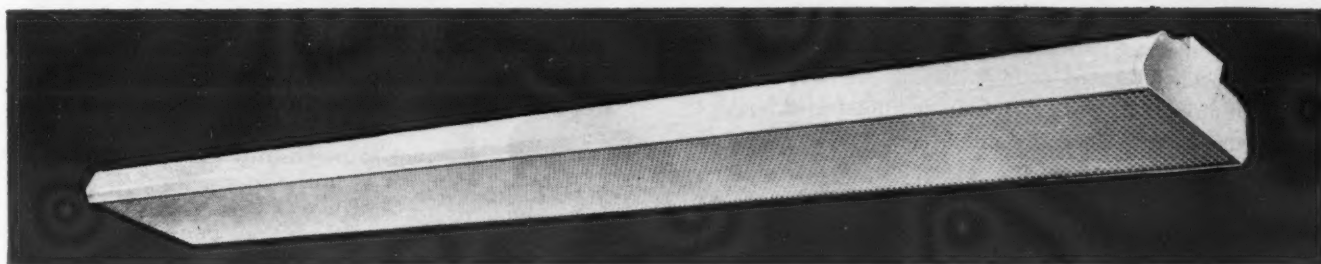


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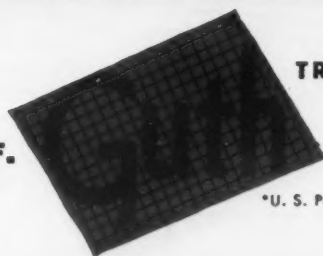
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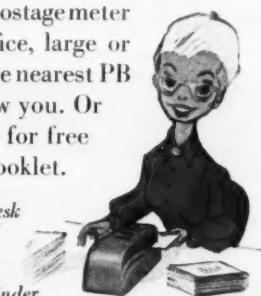
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receipt of Mr. Overly's letter, checked into the point raised by him to be advised that his conclusion is essentially correct that it is no longer necessary for a company to pay into a trust a predetermined percentage of profits. This was reported by the Commerce Clearing House Tax Service on page 28,079, paragraph 2609.62, which states, "A profit sharing plan need not provide for re-current payments in order to meet the predetermined-formula requirements and the permanency requirements of Reg. Sec. 29.165-1 (Reg. 118 paragraph 39.165-1)."

However, his contention that the decision in the Lincoln Electric Co. case supports this point of view is not believed valid, since this was a situation in which the employer made an initial irrevocable contribution of \$1 million without making provision for further payment of profits.

A copy of Mr. Overly's letter was forwarded to the Council of Profits Sharing Industries, the organization which supplied the chart published in connection with the article in question. It elicited the comment printed below.

EDITOR

SIR: Technically Mr. Overly of Pittsburgh Envelope Company is correct in his statement that payments into a Deferred Profit Sharing trust do not have to be a predetermined percentage of profits.

Practically, however, the ruling of Internal Revenue Service making it permissible to be discretionary on this point has inherent dangers in application. The Council of Profit Sharing Industries and many legal authorities conversant with this special field warn that to take advantage of this ruling is to invite trouble from two directions:

1. Any variation from a predetermined (and I.R.S. approved) formula for contributing to the trust may later be adjudged unacceptable by I.R.S. with considerable embarrassment to the company, taxwise. The danger lies not so much in the fact of the variation as in the reason for it.

2. The value of profit sharing in industrial relations depends largely on employee understanding of the rules and employee confidence in the company's adherence to them. If payments are made discretionary instead of by predetermined formula, this confidence is almost certain to be impaired.

JOSEPH B. MEIER
ADMINISTRATIVE VICE PRESIDENT
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What firms think about business

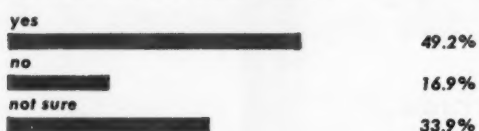
Most executives feel that business entertaining is a sound practice so long as it isn't overdone. But company policy varies widely, and is probably determined largely by the personal attitude of the top man.

Executives' attitudes toward business entertaining often depend on who picks up the check.

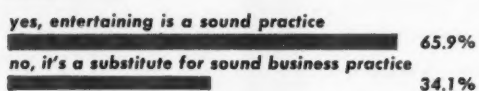
For example, in a new MANAGEMENT METHODS survey, more than half of the managers who responded said they are not con-

WHAT THEY SAID

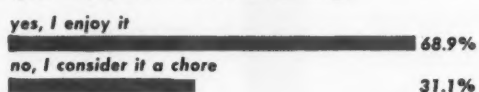
1. Do you feel that companies generally get good value from business entertaining?



2. Do you consider entertaining a sound business practice?



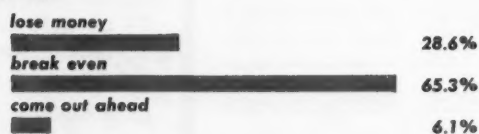
3. Do you enjoy business entertaining?



4. Generally speaking, when you are entertained by another company are you favorably influenced?



5. For the business entertaining you do, do you usually—



6. Do you charge your company for business entertaining you do in your home?



7. What would your firm consider a justifiable maximum expense for entertaining an important business contact during an evening?



8. Does your firm do more entertaining than others in your field?



entertaining

vinced that companies get good value from the time and money they invest in business entertaining. But almost two-thirds of the respondents acknowledged that when another company entertains them, their attitude toward that company is favorably influenced.

The survey was conducted among a cross-section of business firms throughout the country.

The company officials were asked specifically if they consider business entertaining a sound business practice. About two-thirds of the respondents said they think it is; the remaining one-third identified it as a substitute for sound business practice. The breakdown of answers was about the same in response to the question as to whether executives consider business entertaining an enjoyable job or simply a chore that has to be undertaken. (See chart on opposite page.)

How much to spend

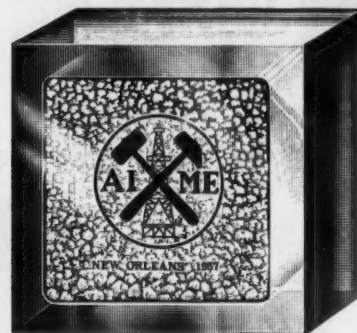
As a means of finding out how liberal companies are in their entertainment spending, this question was included in the survey:

"Assume a key customer or other important contact is visiting your company and you are to entertain him for an evening. What would your firm consider a justifiable maximum expenditure?"

The answers showed a wide degree of variance—a variance apparently unrelated to the company's size, type of industry or location.

A significant 40% said they could justify a maximum expense of only \$25 or less for this hypothetical evening of entertainment (2% said \$10 would be tops). Another 32% said they could go as high as \$50, 16% said \$75 would be the justifiable maximum, 8% said \$100 would be tops, and 4%

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said they could justify an expense of over \$100.

Most executives said their companies do an equal amount or less entertaining than their competitors. Only a few (6%) said they do more.

Almost all of the executives who responded to the survey said they are reimbursed for business entertaining expenses through the actual rendering of individual or accumulated statements of expenses they incur. Fixed monthly or annual expense allotments for entertainment were reported by less than 2%. In addition, less than 2% of the respondents reported getting higher than average salaries which were designed to cover entertainment expenses.

Most break even

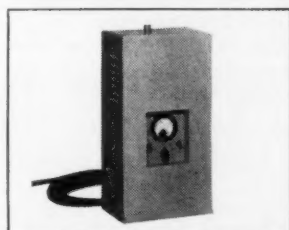
Probably a number of the executives who said they consider entertaining a chore were also in the group (28.6%) who said they lose money on their expense accounts. Only 6% would admit to coming out ahead on expenses; the rest (65.4%) said they break even.

How do executives cover expenses for entertaining they do in their own homes? Thirty-two per cent said they charge their companies for such costs (always or sometimes). Of the remaining 68% who don't charge their companies, only about 11% said they cover the costs through deductions on their personal income tax returns; the rest absorb them personally.

Although only about 6% of the companies covered have written policies covering business entertaining, the MANAGEMENT METHODS survey makes clear that most companies have their own unwritten rules that are generally understood by those charged with entertaining.

The survey also makes clear that the majority of executives consider business entertaining a sound—and enjoyable—practice as long as it is kept within reasonable bounds. When it gets out of bounds, it can backfire.

Said one company official: "In some cases it seems to me that too much money is spent and the purpose of the entertainment is defeated." m/m



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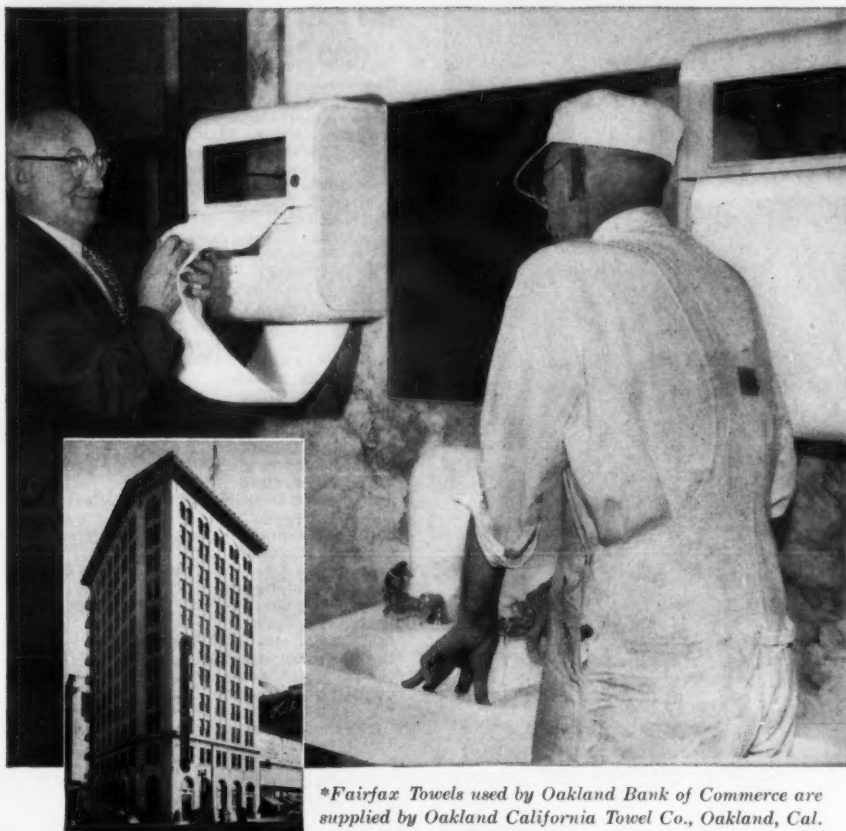
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Bank building lists comfort of COTTON* among assets



*Fairfax Towels used by Oakland Bank of Commerce are supplied by Oakland California Towel Co., Oakland, Cal.

For further proof that comfort is a common denominator, consult the Oakland Bank of Commerce, Oakland, California. In establishing good relations with both bank employees and building tenants, the bank has stressed "personal comfort" by providing soft cotton towels in all washrooms. Results have been highly rewarding, for over thirty years.

Furthermore, certain tangible benefits go along with good "people relations," when cotton towels are on the job. Washrooms are easier to maintain, more economical to keep clean. Sanitation is better, fire hazard is reduced. In the words of the bank's building manager, "safety and good will are well established."

This is the kind of experience that points up more than one good reason why you should give the towel job to cotton in your plant, office building or institution. For free booklet on how cotton towel service will help you, write Fairfax, Dept. G-8 65 Worth Street, New York 13, N. Y.



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Conventional business machines and their future equivalents will continue to have a tremendous market. The reason, of course, is the stabilized picture of American business, in which small and medium-sized enterprises far outnumber the companies that can profitably use and afford the million-dollar electronic computers.

Significantly, even the largest corporations cannot do without conventional equipment.

A. C. Buehler, President, Victor Adding Machine Co.

How well do you listen?

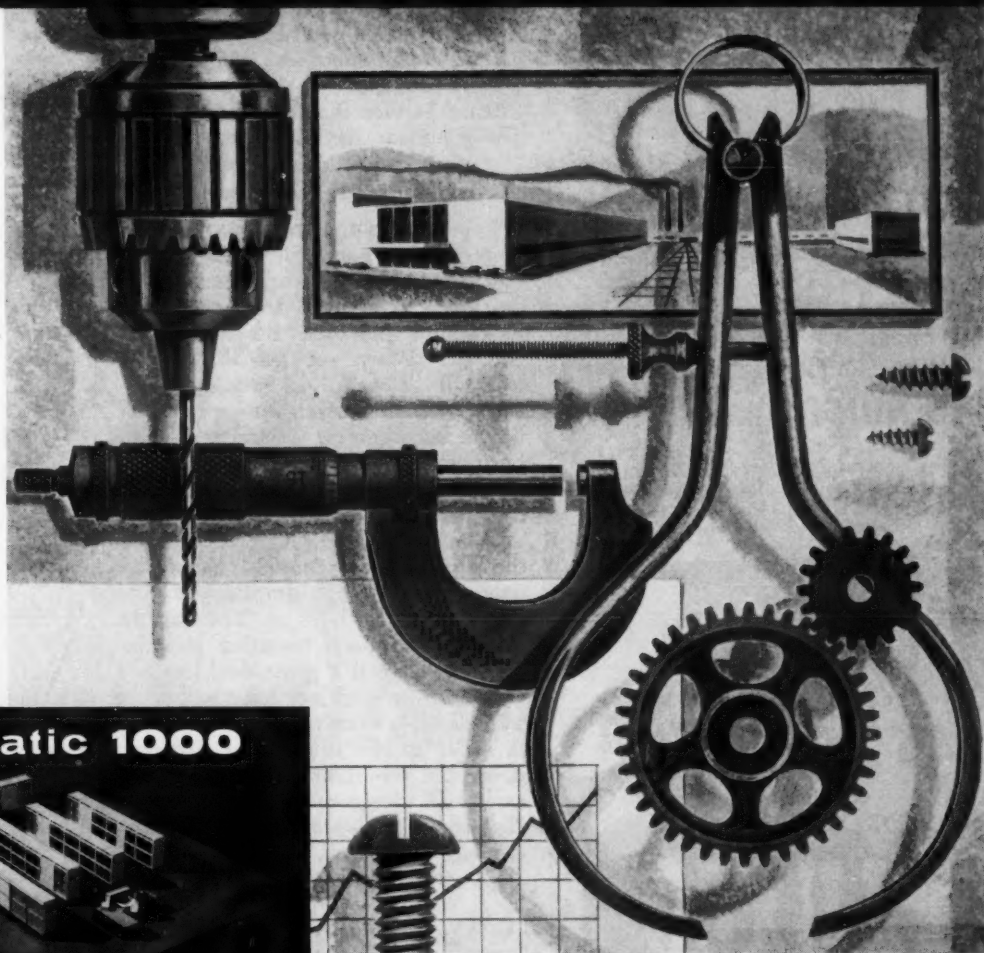


"Hear out, before you attempt to answer," said William Penn in America's early days. And within the limits of man's endurance, listening is one of the activities the ambitious businessman ought to be more than willing to adopt. Indeed, if he is to make progress, to lead his company, to gain a desired promotion or even to hang on to his job, he must learn to listen with active intelligence.

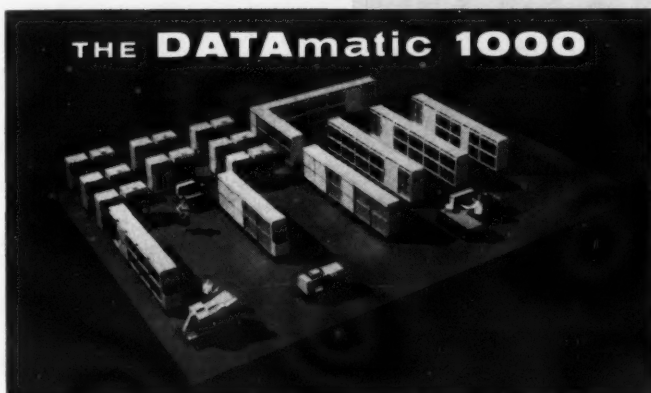
Listening may seem to many as something to be taken for granted. We are told as children, "Listen to me when I speak to you!" We reply that we *are* listening, but often we are not and our attention is centered elsewhere on something of seemingly more immediate importance. As we grew, how well did we learn to listen? Have we learned that listening is a cultivated skill—that this skill must be wooed with patience, self-discipline, and a profound interest in others?

The good listener makes himself a focal point for dependable information. Based upon his own experience, he challenges what he is told in order to arrive at a thoughtful and sure analysis. He is, in short, on top of his job—a man of responsibility. There is great need for such men—many more

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will process
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in 1 hour a day!



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Your organization may well find the DATAmatic 1000 ideal for cutting the costs of office processing work . . . and for providing management with accurate, up-to-the-minute reports on which to base daily decisions. Courses of instruction and programming are now available to help you determine its merits. If you are considering any large-scale data processing program, you will want to investigate the DATAmatic 1000. Our applications engineers will be glad to discuss it with you in complete detail.

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Clients' Service Bulletin, published by The American Appraisal Co.

Are you ready for expansion?

For every single business that expands there are at least 10 that could, but likely never will, because of management's reluctance to accept new ideas and embrace the travail of change. "When we get to be big, we will do a lot of things differently," is all too often the reply given to the management engineer, but no business is ready for expansion until its house is in order, for then and only then is it ready or is it safe.

When the business is small or young the problem of setting the house in good order is much simpler and prevents much loss later on. The road to expansion is much smoother and the traveling time is a great deal less.

A business does not have to be big to expand, it does not have to be big in order to run it properly. Only in doing the job right will the day for expansion ever come.

Dr. James R. Keyes, President, James R. Keyes Co., Inc., before Wholesale Suppliers Credit Managers Association.

Your company convention: resort or hotel?

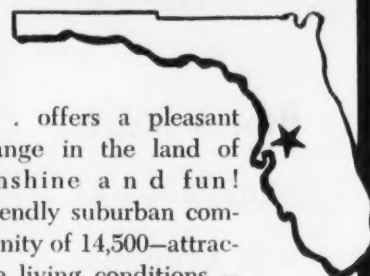
According to the American Hotel Association, companies are choosing the resort area in preference to hotels in big cities as a more practical site for their group meetings and conventions.

The most current, available figures show that the average daily expenditure at conventions is approximately \$30 per day per delegate. The figures offered by two resorts most widely used by companies in the Midwest area show a rate of approximately \$15 per day per delegate.

Economy is not the only reason more companies are casting a measured eye beyond the city limits. Management is beginning to discover that they can control their groups better, can plan a definite recreation program and can prevent "big city" attractions from keeping the men up until the "wee" hours of the morning.

So if you are [making] plans for your annual company convention, it would be wise to compare your estimated costs with a top-notch resort whose specialty is to make you forget [big city] noise, confusion and bustle. *Management Pointers, John A. Patton, Management Engineers, Inc., April, 1957.*

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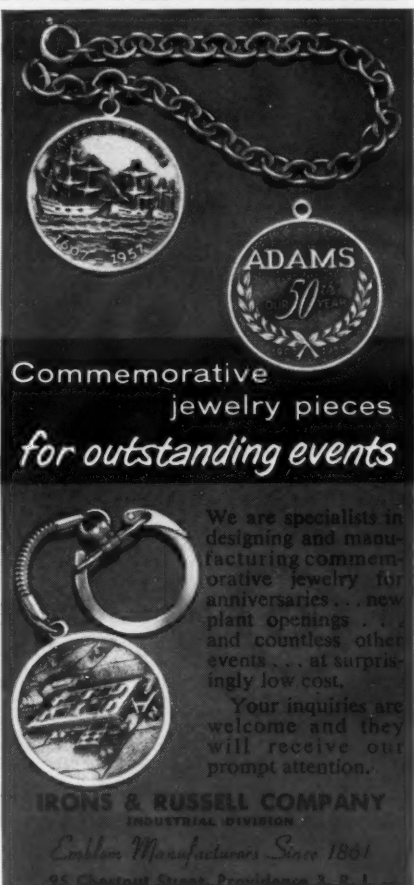
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MANAGEMENT METHODS

Departmental Duplicator



Or



Duplicating Department

whatever your situation

—a single machine or a battery of duplicators

whatever the process

—offset—Azograph®-spirit—mimeograph—photocopy

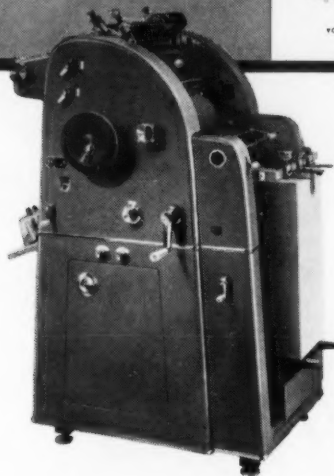
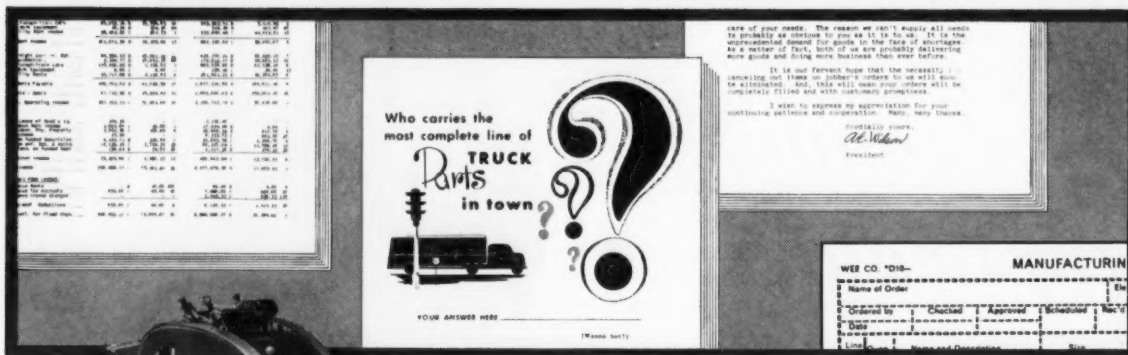
—you will find the information about the new A. B. Dick equipment on the following pages interesting and important. Why?

You can save time. For example, in offset duplicating make-ready has been minimized to a single setting. In systems duplicating, the Azograph process completely eliminates the stain, smear and smudge problem. You can save money. For example, there are new low-cost mimeographs that guard against waste of supplies. You can now produce up to 20,000 copies with one inking. There is more convenience. For example, shielding from normal light is not required with the A. B. Dick photocopy duplicator.

Departmental duplicator or duplicating department—whatever your situation, check the information on the following pages.

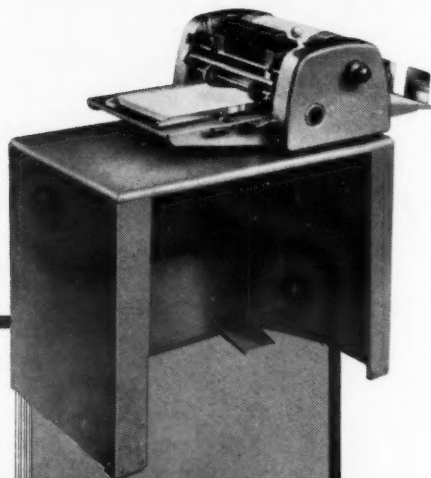
*See following pages for news about the latest
developments in modern duplicating*





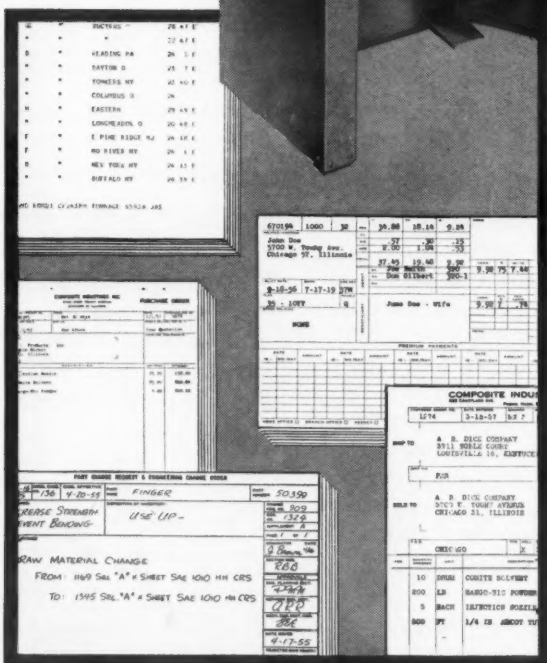
offset

First, look at the quality of the copies produced on an A. B. Dick offset duplicator, Model 350. Fine lines are clean and clear. Solids are just that—solids in black or color. The shapes and shadings in half-tones are true to the originals. An impressive product photograph is reproduced as impressive product illustration on copy after copy. And there is no time-consuming make-ready. A single setting of the exclusive Aquamatic control automatically maintains ink-water balance for day-after-day production of highest quality copies. Here is the most economical way to get top grade reproductions of your literature, bulletins, direct mail, forms, catalogs, price lists and other material.



spirit azograph

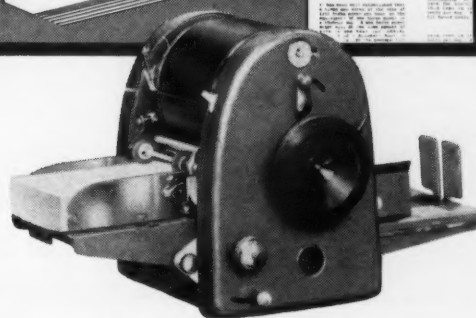
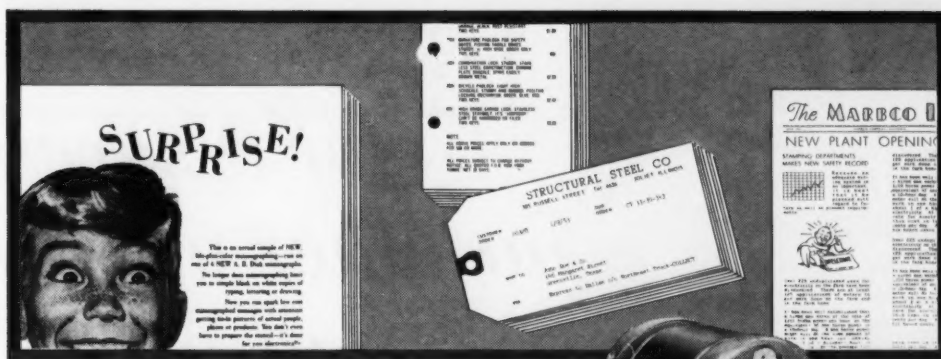
Here is the ideal systems process. Azograph master preparation is done easily with a ball point pen, typewriter, teletypewriter, tabulating machine or other office equipment. Additions—deletions—corrections—whatever is done—there is no smudge, no smear, no stain. Azograph duplicating is clean. Azograph copies are a clear, bright blue. Azograph duplicating is easy. Azograph duplicating is low in cost. And—when desired—Azograph duplicators can be used for spirit duplicating to produce copies in 5 colors in one operation. Hand-operated and power-driven models available including system-engineered machines handling a wide range of paper and card stock in sizes from 3"x4" to 11½"x14". A. B. Dick Azograph and spirit master units can be made-to-order with your forms guide-printed or form printed on them.



A. B. DICK®
DUPLICATING PRODUCTS

new mimeographs

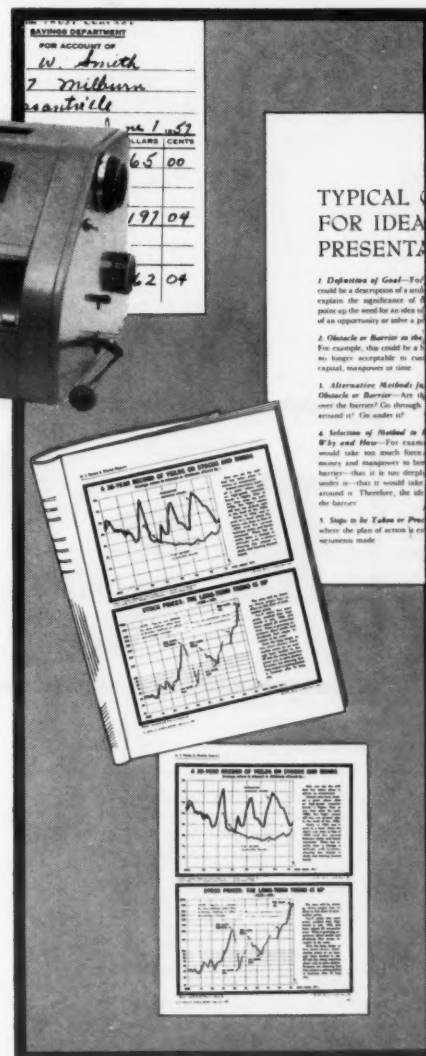
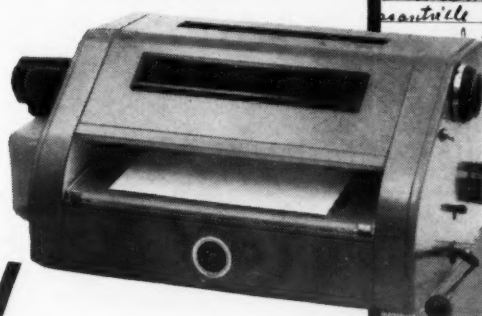
New models at new low—repeat low—prices. Hand-operated and power-driven models—all with closed cylinders. Completely automatic ink distribution (no need for brushes) with choice of fluid or paste ink cylinder. One inking can produce up to 20,000 copies without manipulation of dials or levers. Fluid ink cylinders for use with the new fast-drying inks that eliminate show-through and set-off even on hard finish papers. All-new feeding system handles unevenly cut paper and card stocks, ream ends and all. Operating instructions mounted permanently on the machine. New electronic stencils let you mimeograph complex illustrations and ruled forms—even remarkable facsimiles of half tones. And A. B. Dick mimeograph products are for use with all makes of suitable stencil duplicating products.



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Copies made with the A. B. Dick photocopy duplicator, Model 112, are jet black on bone white for easy reading, on firm, easily handled paper. Original can be white or colored stock, transparent or opaque, single sheet with subject on one or both sides, bound into book or magazine, flexible or stiff. And you don't lose any part of the image whether it is red, blue, green or any other color. Shielding from normal light not required.

A. B. Dick aluminum offset plate transfer plate can be made as quickly and easily as a single photocopy. This plate can then be placed on the offset duplicator and up to 2,000 copies made from it. This gives you photo-accurate copies without need for film negatives or expensive and time-consuming copying and proofreading.



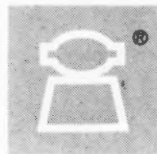
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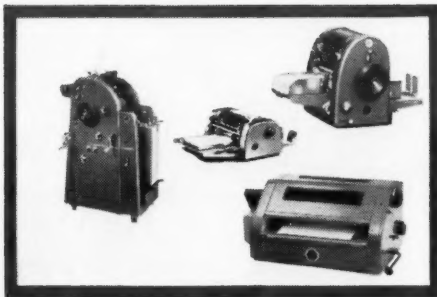
Which process for you? See next page...

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NAME _____ POSITION _____

COMPANY _____

ADDRESS _____

CITY _____ STATE _____

(Circle number 758 for more information)

By Benjamin Newman

Tax Attorney, Koenig and Bachner, New York.

THE QUESTION

If a partner is guaranteed a salary, must he pay tax on the guaranteed amount despite a net partnership loss?

THE FACTS—Taxpayer was a member of a partnership in which he had a one-third interest and in which all profits and losses were shared equally by the partners. As manager, he was guaranteed in addition an annual salary. At the end of the year, it was determined that the partnership had operated at a net loss, and accordingly one-third of the loss was attributed to him. Must taxpayer pay income tax on his entire guaranteed salary or may he deduct his salary from his partnership distributive loss?

THE RULING—Generally, a partner who renders services to a partnership for a guaranteed salary shall

be treated as one who is not a partner and the partnership shall be allowed a deduction of the salary as a business expense. In such case the salary is not treated as a distributive share of the partnership income. However, where a partnership's operation results in a loss and each partner's distributive share is a loss, that loss may be deducted from the guaranteed salary and only the net amount shall be subject to income and self-employment tax. Accordingly, taxpayer in this case was subject to income and self-employment tax only on the amount by which his guaranteed salary exceeded his distributive loss. (*Revenue Ruling 56-675, 1957.*)

THE QUESTION

May a taxpayer who has failed to file an estimated tax be penalized for both failure to file and for underestimation of tax?

THE FACTS—During the taxable years 1951 through 1953, taxpayer filed returns on a calendar year basis. Although he was required to do so, he did not file declarations of estimated tax. The Commissioner of Internal Revenue penalized him 10% of the tax for failure to file a declaration of estimated tax and an additional 6% for substantial underestimation of the tax for each of the years in question. The taxpayer argued that one who does not file a tax return does not underestimate his tax. Is his argument sound?

THE RULING—In deciding this case, the Tax Court applied the

maxim of Mr. Justice Holmes who once said, "The life of law has not been logic; it has been experience." The taxpayer who fails to file a declaration of estimated tax does a great disservice to the government and to those receiving wages with taxes withheld. A cumulative penalty which seeks to avoid this would not seem to be inconsistent with the aims of income tax laws. While cumulative penalties may at times seem inequitable, they are not uncommon in the law of income taxes. The penalties imposed are deemed reasonable sanctions to insure payment by a taxpayer of an estimated tax approximating as closely



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(Circle number 760 for more information)

as possible his actual tax liability for the year. Any other policy would give the taxpayer whose source of income is not visible (because derived from enterprises which do not lend themselves to collection of tax at the source) an advantage over salaried people from whom tax is withheld.

In order to prevent such an advantage Congress has imposed penalties, both for the underestimation of income and for failure to file an estimate of income tax. (*Farrow et al vs. United States of America*, U. S. District Court, South District of California, decided April 25, 1957.)

THE QUESTION

Is the cost and maintenance of work clothes a tax deductible expense?

THE FACTS—Union regulations required that this taxpayer, a painter, wear a white hat, shirt and bib overalls, and standard work shoes on the job. He deducted the cost of these work clothes on his income tax return. The Commissioner of Internal Revenue disallowed these deductions.

THE RULING—The Internal Revenue Code provides generally that all ordinary and necessary expenses incurred or paid by a taxpayer in the carrying on of a trade or business are deductible. However, the fact that a union requires a painter to wear certain clothing is not sufficient to warrant a tax deduction for its cost and maintenance. To be deductible, the clothing must be distinctive in character or in the nature of a uniform, and not readily wearable away from work. The commissioner ruled the clothing in this case did not fit this description because the articles of clothing required on the painter's job were not so distinctive that they could not be used while performing other manual jobs or personal duties. The cost and maintenance of taxpayer's clothing represents a personal expense and is not a tax deductible expense. (*Revenue Ruling 57-143*, issued April, 1957.)



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Fully 75% of the things that drift around on other desks have a *specific place inside* this desk.

In the *organized drawers* there are *off-the-desk* trays for incoming, outgoing and pending letters, *off-the-desk* space for work organizers, work separators, deferred projects, tickler, binders, books, pads, forms, card lists.

And imagine this—there's even an *in-drawer* wastebasket and *in-drawer* phone!

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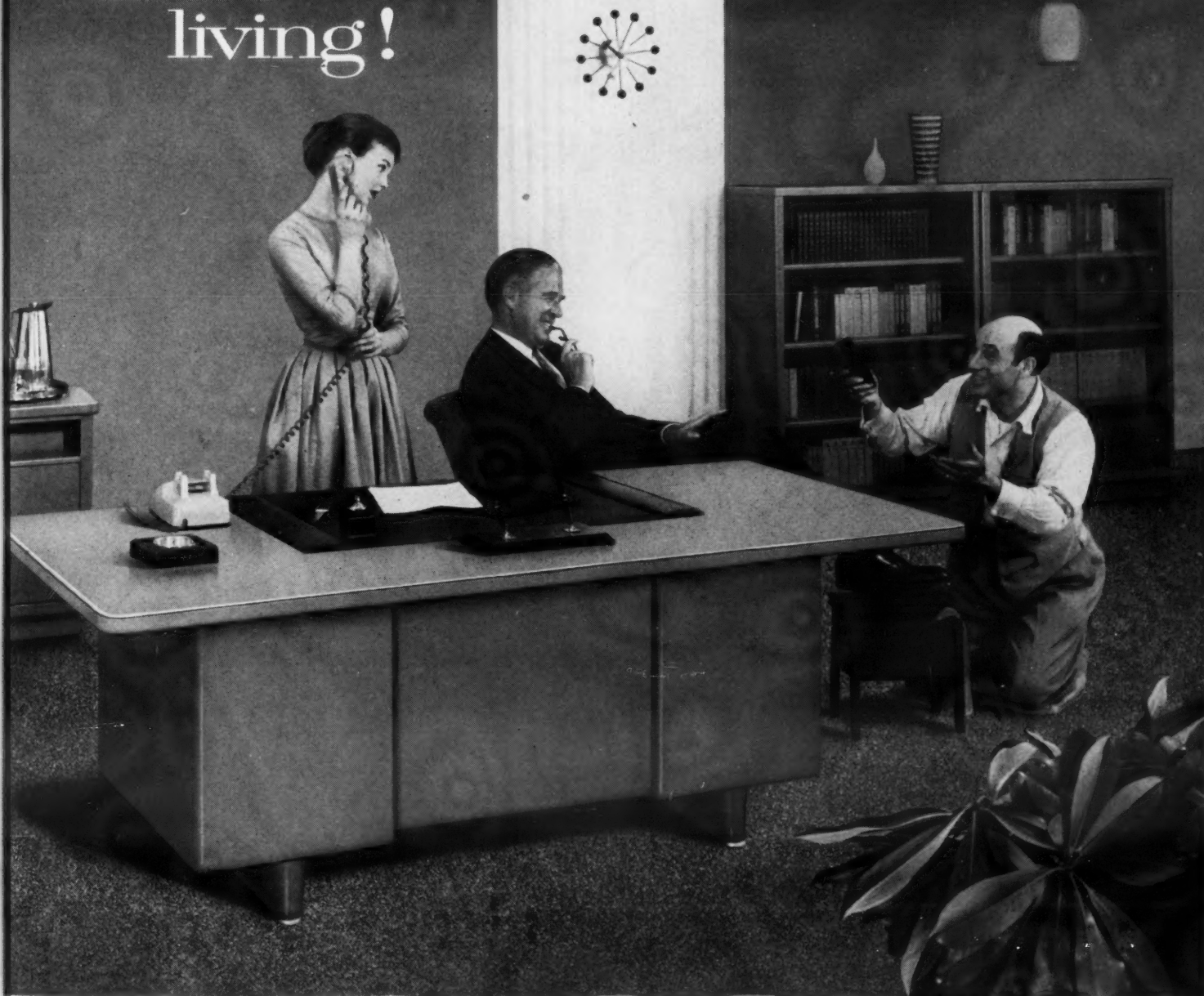
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How to build output with fringe benefits

How can you get workers to produce at a rate three times higher than the industry average? A manager who has achieved this record gives his answers in this interview article. His company, he says, has become the leader in its field largely because of the imaginative, generous fringe benefits it offers to employees. These fringes are not mere industrial niceties; instead, the program serves as a powerful, profitable management tool that takes the worry out of work and thus motivates for more and better work.

THE MAN:

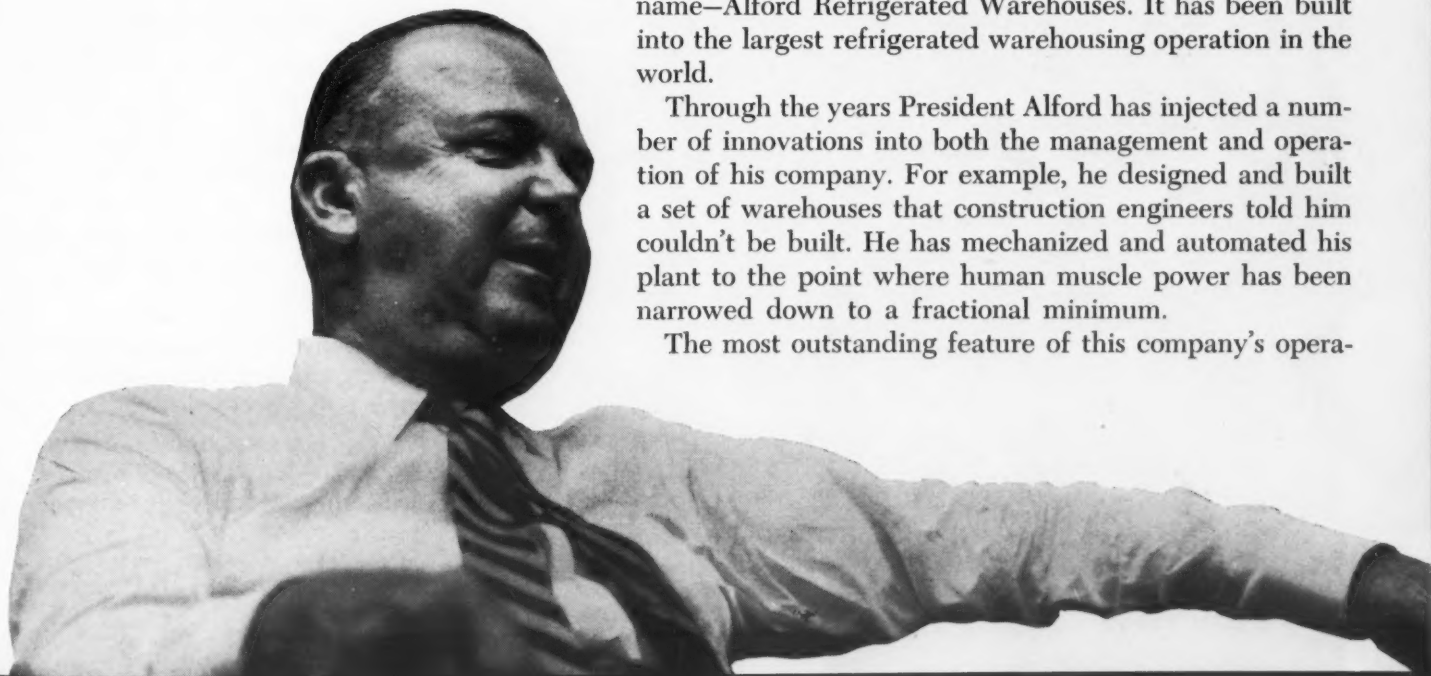
*Fred F. Alford, President
Alford Refrigerated Warehouses
Dallas, Texas*

Some 20 years ago, Fred F. Alford was working as a Certified Public Accountant. One of his clients was an insignificant cold storage firm that was about to go bankrupt. The owners were in a dilemma until Fred Alford stepped in and took charge.

Today this once small, debt-ridden firm bears Alford's name—Alford Refrigerated Warehouses. It has been built into the largest refrigerated warehousing operation in the world.

Through the years President Alford has injected a number of innovations into both the management and operation of his company. For example, he designed and built a set of warehouses that construction engineers told him couldn't be built. He has mechanized and automated his plant to the point where human muscle power has been narrowed down to a fractional minimum.

The most outstanding feature of this company's opera-



"The things we've tried to do for our people

tion, however, lies in the area of employee benefits. When Fred Alford first introduced some of his fringes for employees, friends and competitors were convinced that such benefits would be ruinous by virtue of their expense. Yet Alford reports that his liberal attitude toward employees—as evidenced through the benefits program—has been

one of the chief forces in making the company the leader in its field.

Here are the facts Fred Alford has given to **MANAGEMENT METHODS** in answer to questions about his unique benefit program, how it works and why it contributes to the strength of his company.

CAN FRINGES STIMULATE GROWTH?

Q. Mr. Alford, how much of your company's growth record do you feel is attributable to your very generous policies to employees?

A. Definitely a very sizable part, I would say. It isn't the whole story, of course, but I think if you analyze our operation you'll find that the things we've tried to do for our people have brought the company a solid return.

Q. Then you feel that your benefits program has turned a profit, rather than being merely an expense of doing business?

A. Definitely. I was a CPA before I became a warehouseman and I can still tell the difference between a profit and a loss practice.

Q. Your program includes the families of your employees, doesn't it?

A. Yes, it's unrealistic to consider the man on the job without considering him in his home as well.

Q. What are the chief features of your over-all employee fringe benefits program?

A. Well, in addition to providing unlimited coverage of family medical expenses, we offer an optional guaranteed annual wage, an investment opportunity that gives employees a 16% to 22% return on their savings with no possibility of capital loss, and, under certain conditions, college education for children of employees.

UNLIMITED MEDICAL EXPENSE COVERAGE

Q. What do you mean by unlimited medical coverage?

A. First let me give you a few pertinent facts about our company. Although we have the largest physical warehouse of its kind in existence and handle a tremendous volume of merchandise—about 700 million pounds last year—we operate with only 180 employees. For that reason we can keep our benefits program on an informal basis. No ironclad rules or contracts—just simple company policy. We sometimes go beyond stated policy to give a good man a break.

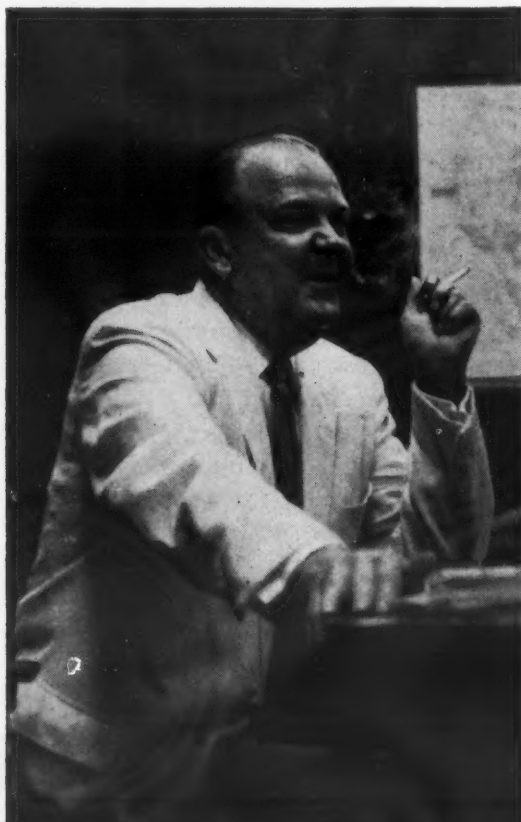
Basically, our medical plan is this: the employee pays the first \$100 of medical expenses each year, the company pays the rest.

Q. You mean that once an employee has accumulated medical expenses of \$100 during a certain year—regardless of what the expenses are for—the company pays the rest, with no maximum limit?

A. That's right. The plan includes doctor and hospital bills, medical and surgical fees—everything. It covers not only the man, but also his wife and children. Our one exception is that we don't pay for what we call "capital improvements"—such things as dental plates and eye glasses.

Q. You must pay a huge premium for such a policy. What insurance carrier is it placed with?

A. We're our own insurers in this case and pay employee medical expenses out of our own company funds.



"It's unrealistic to consider the man on the job without considering him in his home as well."

have brought the company a very solid return on investment."

Q. Is the employee expected to repay the company?

A. No, indeed. The medical care goes with the job. Last year the company paid \$17,000 as its share of employees' family medical expenses. That figure doesn't include the cost of sending our key people in for a complete physical examination each year.

Q. Do you feel that annual physical exams for key people pay off for your company?

A. Absolutely. Suppose this year we send 14 people in for examinations. Let's say these examinations cost the company \$1,500. And let's say we pay another \$3,500 for treatments that these medical examinations turn up as needed. That's \$5,000. Now, if the treatments result in just one of our key people having, say, five additional years of effective service to the company added to his life, don't you think that's worth \$5,000 to us? We're convinced that it's a small investment for the return we get.

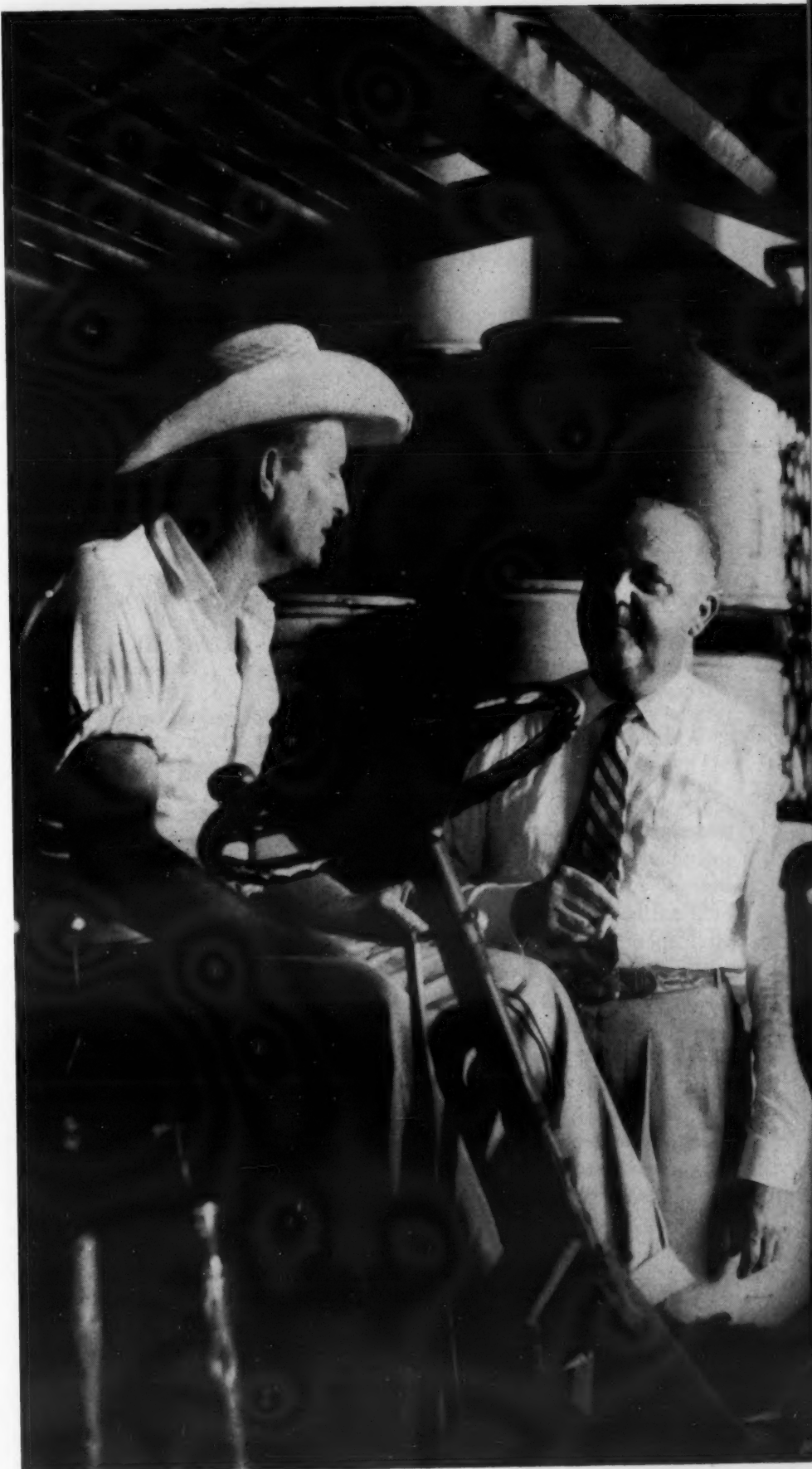
Q. What about your over-all medical expense plan? How do you justify that?

A. There are a number of points to consider. One is that our medical plan helps us build an organization of people—good people—in every category. Now, getting and keeping good men may seem like an obvious and somewhat intangible return, but if you think about it a minute it's not too hard to see the value. For example, ask yourself this question: If you were an employee of our company, how much extra hourly wage would a competitor have to pay you to steal you away from us?

OPTIONAL GUARANTEED ANNUAL WAGE

Q. What about this optional guaranteed annual wage that you mentioned? How does it work?

A. It's a little unorthodox. We started it 10 or 12 years ago and almost got into trouble with the Wage and Hour people. They
(Continued on page 75)





2



3



4



5



6

6 ways to squeeze

Firms of all kinds are discovering new ways to squeeze new profit out of microfilm. Reason: microfilm is no longer merely a record saver or a data protector. It has been adapted for use in a wide range of administrative methods and procedures. Here are six case histories that will suggest added savings that you can make in your office and plant—with microfilm.

Companies are finding unique new ways to use microfilm—not just in their record retention programs, but in their over-all administrative procedures and methods. These new uses help cut costs, provide better service for customers and speed up vital operations.

How these new uses of microfilm are being applied was explained a few weeks ago at a day-long symposium in New York*. Speaking to the hundreds of executives who attended were representatives of firms like American Telephone and Telegraph, Bethlehem Steel, the Haloid Co., and Dun & Bradstreet. Each speaker presented a case history on a specific procedural use of microfilm.

Setting the tone of the meeting was Jerome W. Harris, publisher of *MANAGEMENT METHODS* magazine, who served as chairman. Microfilming, he said, has developed far beyond its original uses as a method of space saving in record retention and as a device for producing sets of vital data for protection. New applications, he said, are constantly being developed along more original lines.

Following, in digested, edited form, are six of the case histories presented during the symposium. These cases will point you toward ways that microfilm can help in solving your own procedural problems.

* The symposium was conducted as a service to business by the Flofilm Division of Diebold Inc.

1

How Microfilm Protects Investors

By H. M. Boettinger

General Financial Supervisor
American Telephone and Telegraph Co.

Expedites handling of huge stock offer

■ When a capital stock offering in the amount of \$575 million is announced to 1½ million stockholders, the methods and organization needed to carry out such a task are obviously of grand proportions.

Using the microfilm camera, and developing the film within an hour, it became possible to release shareholders' warrants and yet re-

e new profit from microfilm

tain a record of each stockholder's action or instructions in cases of unbalance, dispute, forgery or theft. In cases where questions of interpretation of shareowners' intentions were involved, a print of the warrant was made directly from the film and transmitted to the share owner.

This system enabled the company to handle, within five weeks, about 465,000 straight sales warrants, comprising over eight million rights with a total value of some \$55 million. In one day alone, 57,000 cases were processed. The microfilming operation occupied one office boy, part time.

2

How Microfilm Releases Your Tied-Up Dollars

By D. L. Clark
*Eastern Zone Manager
Haloid Co.*

Allows checks to be processed while accounting proceeds

■ Funds represented by in-transit checks cannot be used by anyone. Every hour that lapses between the time a check is written and then finally cleared reduces the amount of money available to conduct business operations.

Microfilming has made it possible to secure a record of checks quickly, so that they can be processed through normal channels without delay. Under a system devised by a large commercial

bank for the benefit of its customers, remittances from customers of the bank's depositors are sent directly to a New York Post Office box, to which the bank has sole access.

Within two hours of their receipt, the checks are microfilmed and the originals are started on their normal channels for clearance. Meanwhile, the microfilmed record of the day's checks, reproduced on positive copy paper, is furnished to the depositor, who uses it—in place of the original check—for posting and accounting purposes.

By using this combination of microfilming and copy printing the film negative, the bank has provided a means for avoiding any delay in the clearance of its depositors' incomes, while at the same time making it possible for them to post and process the data represented by incoming checks immediately.

3

How Microfilm Broadens Marketing Research

By James W. Partner
*Associate Director
Marketing Service Co.
(Division of Dun & Bradstreet, Inc.)*

Makes complete, accurate survey data quickly available

■ An example of how microfilming is used to expedite marketing research activity is provided by the pharmaceuticals industry, in which manufacturers are contin-

ually concerned with determining the sales volume of both their own and competing products at the retail level. Some 10 years ago, a project was initiated whereby Dun & Bradstreet reporters visited a chosen group of retail drug stores, physician supply houses and hospitals each month. Needed information was copied from purchase invoices and then mailed to a central point, where statistics were summarized, national estimates prepared and an analysis written for the benefit of the management of the sponsoring manufacturer.

Today the same procedure is followed, except that the reporter carries with him a portable microfilm camera. With the owner's permission, the purchase records for the past 30 days are microfilmed; the film is forwarded to a central location, where trained personnel scan the developed records and take the necessary information from these records.

Because brand names are complex, abbreviations are common and new products are introduced each month, the accuracy of the work has been materially increased through the use of microfilming interpreted by a centralized, trained staff.

The reporter is able to obtain the information quickly and efficiently, enabling him to cover more sources each day and making it possible for him to spend a minimum of time at each store or hospital.

Microfilm makes it possible to broaden substantially the number of products surveyed. Hand checking of invoices is practical only when a limited number of products are of interest, but the use of microfilm makes for an economic extension of such reporting.

(Continued next page)

4

How Microfilm Adds Flexibility

By Robert E. Weil
*Manager of Records Planning
Bethlehem Steel Corp.*

*Saves auditing, clerical costs
by limiting field operations*

■ There are some records that should not be removed from their normal base of operations. Examples are payroll and inventory records which, if lost or even damaged in transit, could bring about disastrous results.

In a multi-plant operation where such records must be audited, microfilming can be used to bring the records to a centralized audit group, instead of having auditors waste time in travel to the places where the original records are normally kept. The ability to bring to the auditor records which he can scan, and from which he can determine the adequacy of an operation, and uncover areas which would make field trips useful, is a very important objective.

Microfilming of payroll records reduces the amount of travel cost, reduces the time an auditor must spend at a location and enables the members of an audit group to work centrally and consult with supervisors whenever problems arise.

Inventory records, located at scattered points, through the use of the microfilm camera, can be "frozen" at any determined moment for the development of statistical and operational data. Whenever there exists the necessity for such records to be examined centrally, the cost of obtaining pictorial records by means of microfilm equipment is considerably less than the cost of manually reproducing such data and

even of mechanically duplicating it.

Determination of the use of microfilming should be based on economic merit, in competition with other means of obtaining the same information. If you operate on this premise, you will often find that microfilming will stand up economically and practically whenever you have a problem.

5

How Microfilm "Freezes" Changing Records

By W. English Strunsky
*Vice President
A. J. Armstrong Co.*

*Maintains complete record
of factor's clients' books*

■ A commercial financing and factoring organization—whose clients continuously borrow from \$50,000 to \$12 million—must have an up-to-the-minute, accurate knowledge of the status of its clients' businesses.

Use of microfilm equipment aids greatly in maintaining the speed and efficiency of service that makes cash available on a daily basis.

For example, in the field of accounts receivable financing and financing of consumer accounts, the necessity of "freezing" a changing record is vital. A complete record must be maintained at all times of the clients' accounts receivable ledgers. In cases of those businesses which sell to thousands of customers, microfilming of the clients' papers makes it possible to have an exact copy on film, and by taking into consideration the activity since the most recent microfilming, records can be built to a current position, at any time, with comparatively little work.

Microfilming is also used at the time a new client starts doing bus-

iness with a financing organization, when it may be necessary to compile a detailed list of every customer on the client's books, showing not only names and addresses, but also each invoice sent and payment received over a period of several months. Copying such lists, where millions of dollars and thousands of customers are involved, could be a mammoth job, but it can be done by microfilming in a matter of a few hours.

6

How Microfilm Saves You Space

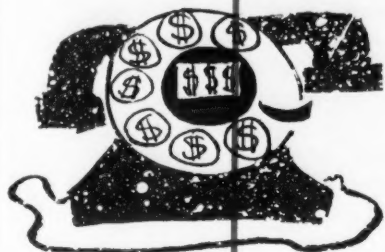
By William J. Tietjen
*Manager, Archives Department
Seamen's Bank for Savings*

*Keeps records in fraction
of previously used space*

■ At our bank, all transactions for 188,000 depositors for a three-month period are contained in just three rolls of microfilm weighing only about one pound. The paper containing the records of these 564,000 transactions weighs 116 pounds.

But that's not the whole story. Each of these transactions is originally recorded on a punch card, and these tabulating cards, were they to be filed and stored, would weigh 3,474 pounds. To store these cards at the rate of 3,000 per file drawer would require 188 such drawers for just three months' records. The three microfilm rolls that take their place occupy a space that would be taken up by a couple of packs of playing cards!

That's one reason why modern business is turning to ever-increasing use of microfilm. Inches and pounds, instead of feet and tons, are now being used for measuring needed filing space. m/m



How to trim dollars from your telephone bill

By Frank K. Griesinger

Assistant Treasurer, Lincoln Electric Co.
Cleveland, Ohio

Noted for its pioneer efforts on many management fronts, Lincoln Electric Co. has evolved a broad series of methods for slicing big dollars from telephone costs. Outlined here are tips based on Lincoln Electric's telephone cost cutting program, plus research done by the author in conjunction with the Ohio Bell Telephone Co.

Since 1948, Lincoln Electric Co. has sliced the cost of its long distance telephone calls by 10%—and this figure would be even greater if it took into account telephone rate increases over the past nine years.

Lincoln Electric is the world's largest manufacturer of arc weld-

ing equipment and supplies. We operate nationally with 32 branch offices and warehouses, and we produce about 14,000 orders a month. Our business involves an average of 780 long distance calls a month, many to our branches.

One way we control our costs is by maintaining careful telephone

cost figures. We know that average cost of our long distance calls is \$1.93, including federal tax.

Here are some of the methods we use at Lincoln Electric to keep our telephone costs down. Regardless of the size or type of your business, you'll find that you can adapt most or all of these ideas.



1. Keep your people informed on comparative communication cost.

Figure your average cost per message, including federal tax, on telephone, telegraph and other mediums. By making this information

available to the message originator—and his boss—it will show when the less expensive telegram can save you money.

2. Choose properly between telephone services.

If a telephone message can be answered by a branch office secretary who is required to be there eight hours a day, use station-to-station. If the person called is an executive or manager traveling around the territory, the person-to-person rate is a bargain person-locating service.

Figure 1 (page 34) gives person-to-person rates from St. Louis to a number of cities. Notice that the extra charge for contacting a specific person is a fixed fee which does not increase with the length of the conversation. If your call is important, the fee is an excellent investment.

3. Organize the facts; eliminate the pleasantries.

Most five-minute conversations could be cut to three minutes by

organizing facts in advance of the call. Discussion of personal business and weather has no place in normal business communications



between members of the same company. Some companies have used three minute sand timers (hourglasses) quite effectively to hold calls within the three minute limit.

4. Give supervisors information on cost of completed calls.

If your calls are charged to departments, the department head should be interested in long-talking individuals who are increasing costs. The standard long distance charge ticket furnished by the telephone company may be helpful. It is completed by the operator, showing time and charges. As proof of billing, some telephone companies actually send their charge tickets to the subscriber at the end of each month. These can be sorted by departments. If the problem is extreme, supervisors may want to insist on advance clearance of long distance call-placing.

5. Discourage switching.

When you call your own branch plant, office or warehouse, it is easy

for people there to ask that calls be switched. In this way the remote point talks to many people in the home office at the home office's expense. Some educational work may be needed to point out the costs involved.



6. Use the conference circuit.

Almost all switchboards provide special circuits which permit two or more men to talk together. Where matters involve joint opinion, use of the circuit saves expensive repetition and switching time. Conference appointments can be set up by mail.

7. Group outgoing calls.

When a number of different individuals at a home office point wish to talk to a branch, it is possible for them to do so at an agreed hour. The distant manager is notified that he will be telephoned at that hour. The call can be switched from one man to another with a minimum of expense.

8. Use a communications cost chart.

Such a geographic chart as shown in Figure 2 gives communication expense from your office to points

throughout the United States. It can be effective in reducing communications costs. A typical chart may show circles radiating from the central point with costs for various types of messages indicated for each zone. A staff educated and enthusiastic about cost reduction will find such information of real help, particularly when it is available at a glance.



9. Convert telephone calls to postal messages.

The constant enlarging and speeding up of air mail service permits many late-day telephone messages to be converted to air mail, special delivery at a minimum cost of 36¢. Just as the telegram may be a better answer for brief, one-way information, the air special may also get preferred attention at destination. Many companies use distinctively printed forms and envelopes which indicate the urgency of the message and the need for an immediate reply.

Most post offices are willing to examine a list of frequently-called points for you, indicating whether air mail, special delivery will reach those points by 9:00 a.m. of the following business day. In any

Figure 1. Even a simple chart like this, showing costs from your headquarters to frequently called cities, will help keep employees cost conscious. It also helps in determining the most economical type of call to make.

From St. Louis to:	STATION TO STATION			PERSON TO PERSON			EXTRA CHARGE
	3 min.	5 min.	10 min.	3 min.	5 min.	10 min.	
Atlanta, Georgia	\$1.32	\$1.98	\$3.63	\$1.87	\$2.53	\$4.18	\$.55
Chicago, Illinois	.99	1.54	2.92	1.38	1.93	3.30	.39
Houston, Texas	1.54	2.42	4.62	2.15	3.03	5.23	.61
Kansas City, Kansas	.99	1.54	2.92	1.38	1.93	3.30	.39
Los Angeles, California	2.42	3.63	6.66	3.41	4.62	7.65	.99
Memphis, Tennessee	.94	1.49	2.86	1.32	1.87	3.25	.38
New Orleans, Louisiana	1.49	2.26	4.18	2.09	2.86	4.79	.60
New York, New York	1.76	2.75	5.23	2.48	3.47	5.94	.72
Washington, D. C.	1.65	2.53	4.73	2.31	3.19	5.39	.61

All rates include 10% federal tax

Station to Station	258			242	226	209	187	176	165	138	110	77	Station to Station	3 minutes
Person to Person	363			341	314	292	264	247	231	193	154	121	Person to Person	3 minutes
Telegram	174			174	157	157	141	141	124	124	108	86	Telegram	15 words
Night Letter	141			141	124	124	113	113	102	102	91	69	Night Letter	50 words
Day Letter	251			251	229	229	207	207	185	185	163	130	Day Letter	50 words

FIGURE 2.

Communication cost chart shows comparative costs of varying methods of communication from home office to any city in the United States. It shows that, in some cases, a three-minute station-to-station call may be less expensive than two telegrams.

comparison of communications costs, the postal services provide the greatest bargain. Package your list of overnight mail points attractively and submit it to originators of your telegrams and telephone calls.



10. Convert telephone calls to telegrams.

A communications cost chart such as Figure 2 often indicates that a telegram is less expensive and equally as effective as a long distance call. But if information must be secured from the person called, and if that person has the information available without delay, a single telephone call may be less expensive than two telegrams. This is especially important if your company pays for both telegrams. On the other hand, the common tendency of people to socialize and comment on the weather may make

the telegram a more economical communications device. Also, the telegram provides a written record—an important factor in customer and vendor relations. In contrast, the telephone offers maximum speed.

What about TWX service?

Most large companies receive regular visits from those selling the "timed wire" service of the telephone company. The Bell System publishes a TWX directory which gives you the identification number of TWX printers leased by companies throughout the country. Direct connections can be made with such concerns in a very short time. TWX service gives a written record. Also, immediate replies can be given to the extent that facts are available at the called point.

A normal operator typing on a TWX teleprinter should average 40 to 45 words per minute. If the message is converted to punched tape, the automatic machine may operate considerably faster. However, a man usually talks at 125 to 150 words per minute. While TWX

rates may be somewhat less than station-to-station long distance rates, the amount of communication possible verbally is greater than TWX capacity. Each company should survey its own problem, determining the value of written records and studying the ability of the operator to transmit typical messages within the minimum TWX rate charge. Monthly lease rates on equipment must be taken into consideration in cost calculations.

Reducing fixed charges

We have been talking about variable charges—long distance telephone calls. Equally important are the "fixed" monthly charges which go on, month after month, into eternity. If yours is a large company, you will find it pays to train a man in telephone engineering. Such a person becomes intimately familiar with equipment, tariffs, telephone planning and design. Every time telephone equipment is requested changed or when major layout changes are made, this

(Continued on page 68)

Consolidation and relocation:

A growing firm, grabbing new space wherever it can be found, often ends up with a disjointed hodge-podge—one department across the street, another around the corner, another across the city. Result: waste abounds in terms of time, money and other company resources. Here are six case histories showing how firms can spark new life into their operations through consolidation and relocation.

“Pull yourself together!” is a piece of advice you give a man who has lost his spark. It’s a piece of advice that applies equally well to some business firms, notably those whose facilities have become spread out and disjointed.

For example, if your company’s executive and administrative offices are in one building, with engineering across the street, sales in another location and storage spread all over the place, pulling yourself together might spark some surprising operating efficiencies—the obvious ones as well as some that are not so obvious.

“But,” you say, “we’re in the middle of a city and there’s no single unit of available space big enough to hold all our departments. How can we consolidate? We started small and, like Topsy, just grew. We’re disjointed, getting worse, but we’re stuck with it.”

There’s a one-word solution to that problem: relocation.

Consolidation and relocation can rejuvenate your business, can save you thousands of dollars a year, can increase production, stimulate interdepartmental teamwork, build employee morale and generally

tone up your company to the extent that you might wonder how you ever struggled along before.

Here are stories of companies in the New York, Chicago and San Francisco areas that consolidated their multi-building operations into single new locations. This report details factors that influenced their moves, outlines their motives in selecting new locations and examines the results.

Ditto, Inc.: *Manufacturers of duplicating machinery.*

Before: *Seven separate buildings on Chicago’s West Side.*

After: *New one-unit plant in Lincolnwood, Chicago suburb.*

“We’re paying for a new plant, so why not have one?”

This was management’s attitude after results of a survey indicated that savings effected by consolidation and relocation of Ditto’s operations would actually pay for a new plant within 10 years.

In 1946 the 38-year-old company found its 600 employees scattered among seven separate facilities ranging in size from 10,000 to 88,600 square feet.

Just what was this setup doing

to the company’s administrative and manufacturing operations? Here are some facts reported to MM by company officials:

Inter-plant travel cost \$12,000 annually.

Inter-plant trucking cost \$20,000 annually.

Inter-plant phone lines cost \$2-800 annually.

Shipments to several plants (instead of one) cost more than \$6000 annually.

Intangibles were also taking their toll. For example, from the time a production machine part was requisitioned until it was placed in operation, it was handled by 30 people, prompted the preparation of 16 forms and was moved through at least three buildings.

Ditto’s multi-plant operation was making it difficult to transfer employees, who sometimes quit rather than put up with extra traveling time to and from work.

The engineering staff was located in the general administration building, eight miles from the machine plant. When an assembly line crisis arose, it meant a round-trip of 16 miles. If problems were minor, engineers often postponed

how to pull yourself together

consultation until they had a sufficient backlog to justify the trip.

In planning and executing the move from seven buildings to one, Ditto faced certain problems:

1. Employees had to be notified and given a chance to relocate homes or consider new jobs.

2. Allocation of space for factory and office equipment had to be planned not just for immediate needs, but future requirements.

3. The actual move had to be accomplished with a minimum of lost production time.

Ditto solved these three major problems in this manner:

1. Announcement of the purchase of the new 27-acre plant site was made to employees in 1946,

as soon as the sale was final. The announcement served to alert employees to the fact that personal relocation was in order. Actually, 10 years passed before the new plant became a reality. During that period 90% of Ditto's 600 employees moved to city or suburban homes near the new plant site.

2. In July 1953, supervisory personnel were asked to begin detailed surveys of what their departmental requirements would be five years after completion of the new plant. They were also asked to provide detailed checklists of every piece of equipment (and its size) they had or would need. Based on these figures space standards were set for corridors, aisles,

desks, private offices, and so on.

3. The problem of moving without losing production time was complicated by several factors. Electrical conversion of some equipment was necessary, while all equipment was to be repainted.

Painting was handled in off-hours. Since there were at least two of each item of manufacturing equipment, conversion from 220 volts to 440 volts was done on only one at a time.

To keep production going during the actual move, duplicate equipment was separated into two groups. One group was moved to the new plant while the other was used in the old facilities. During the entire move, production

Ditto fluids and cleansers, formerly produced in this small rented plant, are now made with firm's other products in a modern, consolidated Chicago factory (below)



was maintained at 80% of normal.

The move was completed just months ago. Ditto has already begun to reap expected benefits.

Item: The company has already eliminated two of three rented trucks which formerly carted materials between plants. This saving in equipment and personnel amounts to \$19,400 annually, about \$600 under the estimate.

Item: A railroad siding which was not available under the former setup enables the company to save \$18,000 annually by buying in car-load lots. The spur cost \$13,000, which will be paid off the first year, with \$5,000 "left over."

Item: Paper for carbon making is now delivered to one plant. Annual saving: \$8,500.

Item: Inter-plant travel and communication have been eliminated for the expected total annual saving of more than \$13,000.

The hoped for intangible benefits are also being realized. Manufacturing, research and engineering personnel now exchange ideas over the lunch table in the plant's modern cafeteria. When an assembly line problem arises, engineering help is 100 feet away, instead of eight miles.

Another Chicago firm

Another Chicago concern that has benefited from consolidation and relocation is Automatic Electric Co., telephone equipment manufacturer. By this fall, Automatic Electric expects to have moved from its present 17-building setup to a modern single-unit 1,520,000 square foot structure on 167 acres in suburban Northlake.

Unlike companies that hope their employees will follow them, Automatic Electric followed its employees. Before the new location was decided upon the company made a survey to determine where most employees lived and in what direction they had been moving in the past 20 years. It showed that they had been moving in a westerly direction. So the search for a site was confined to Chicago's western suburbs.

When the move is completed the company expects to increase its personnel from 7,500 to 10,000,



Housing trend shaped Automatic Electric's plant site choice . . .

while doubling production as a result of increased efficiency.

One problem, two answers

Here are the case histories of two firms, both of which had almost identical problems. Each operated from scattered locations in Brooklyn, New York. Each decided to consolidate and relocate. One, however, moved out of the city and built a single-unit office and laboratory in a nearby suburb; the other stayed as close as possible to the heart of New York, and bought and remodeled an old building. Consider their motives:

Lewyt Corp.: *Manufacturers of electronic equipment, vacuum cleaners and air conditioners.*

Before: *Three separate locations in Brooklyn.*

After: *Single-unit, remodeled and expanded old building in Long Island City, New York.*

Each of the three Lewyt Corp. operations was located in a separate building and in no instance was there adequate room for even immediate expansion. The need for consolidation was obvious—but relocation posed a problem. Attractive offers, including promises of free sites and plants, were received from communities outside the New York City area and from other states. But President Alex Lewyt was determined to remain as close as possible to New York: "For us, the inherent, long-range advan-

tages of New York City far outweigh advantages offered by other areas. New York is the greatest consumer and industrial market in the nation and other marketing areas are readily accessible."

Thus the new location had to be within a certain area—an area already overcrowded and overbuilt. The solution was to find an old building that could be remodeled.

Luck was with Lewyt. In Long Island City, less than 15 minutes from midtown Manhattan, an old six-story structure with 315,000 square feet of manufacturing space was up for sale. Lewyt paid \$2 million cash for the building. An additional \$1 million was spent adding a new wing of 43,000 square feet, installing special facilities and remodeling the entire fifth floor for executive suites.

With the improvement in the physical plant came the anticipated improvements in actual production, monetary savings, and increased employee morale.

Results so far: closer supervision, meticulous quality control assured; engineers on hand when needed; office help more easily available due to convenient new location. Monetary savings resulted from elimination of duplicate jobs, elimination of inter-plant travel and communication, and from lower insurance premiums.

The three companies, which now employ a total of about 2,000 people, have plenty of room for ex-

pansion. The new plant has manufacturing and assembly capacities that will ultimately require 6,000 employees.

Permatex Co., Inc.: *Manufacturers of automotive, aviation, industrial and marine maintenance chemicals.*

Before: *Three separate office locations in Brooklyn.*

After: *New one-unit building in Huntington Station, L. I., N. Y.*

Permatex Co. was founded in 1909 in the Sheepshead Bay area of Brooklyn. Since 1951 the company has been headed by C. A. (Pete) Benoit, son of the founder. Brooklyn born and bred, Benoit, like his father, resisted the idea of leaving the borough. But his office units and main plant were in four different locations. A second plant is in Kansas City, Kans. Decentralization was costing the company a fortune. What Benoit needed—and wanted—was a single location for his offices and his research laboratories. But he had a sentimental attachment for Brooklyn, and he was fearful of losing many valuable employees if he moved.

For months Benoit tried to find a single block of offices large enough to provide the space Permatex needed. But Sheepshead Bay is noted for seafood, not for modern office buildings. Once or twice Benoit thought he'd found the answer, but the cost of remodeling would have been exorbitant. Finally, and reluctantly, Benoit purchased a site in Huntington Station, a nearby suburb of New York on Long Island. Here Permatex's research laboratories and office and administrative staffs are housed in a new building. The Brooklyn manufacturing plant remained, as did the Kansas City operation.

Benoit's fears turned out to be completely unfounded, as he is the first to acknowledge: "What I thought would be liabilities proved to be major assets."

All but two of Permatex's key employees followed the company to Huntington Station. Surprising to Benoit: most families had wanted to move to suburban Long Island, and had stayed in Brooklyn only to be close to their work.

Benoit's second major fear, that competent workers would be difficult to find on the Island, was equally baseless. "Not only are trained people easier to hire, but our labor turnover here is negligible; in Sheepshead Bay it was a factor we thought unavoidable."

Total cost of the building, including decorating, was less than the expenditure would have been for remodeling space in Brooklyn. "And this way," says Benoit, "we have things exactly as we want them."

Benoit maintains that having actual production remain in Brooklyn and Kansas City poses no problems. Only the top policy-making engineer is in Long Island; others are on the job in the plants.

Mail Order Problems

"Mrs. Dorothy Damar," one of the largest mail order companies in the East, is also one of the three companies controlled by David Margulies. The other two: Damar Products, Inc., which manufactures and distributes kitchenware and household appliances, and Around-the-World Shoppers Club, which has handicraft items shipped directly from foreign countries to more than 150,000 subscribers throughout the U. S.

These three businesses previously occupied a total of 35,000 square feet of space in three separate buildings in Elizabeth, N. J. A move to nearby Newark gave them 60,000 square feet on a single floor. Advantages of the move include tripling the order-filling capacity, and reducing the order-in to order-out time relationship an average of 28 hours.

... but employees followed Permatex to suburban area.



"Consolidation of our operations has given us greater economy, greater efficiency, and has increased the morale of our people," says President Margulies. "Also," he added, "we estimate that our executives are saving about 1,200 hours a year that they had spent shuttling between buildings."

Marchant Calculators, Inc.: *Manufacturers of automatic calculators.*

Before: *Twelve separate buildings in Oakland, Calif.*

After: *New, single-unit plant and administration building in Oakland.*

In the crowded native quarters of cities in Asia and the Orient, you sometimes see the shell of a new house taking shape around the exterior of the old house.

That, in the broadest sense, is what Marchant Calculators, Inc., is currently doing in Oakland.

Under construction is a 510,000-square-foot plant and administration building, planned to permit an additional 132,000 square feet of expansion space. While Marchant is not actually building the new plant over the roofs of its old buildings, the company is utilizing some of the same land. Within its area, the "new" site encompasses one of Marchant's two main plants and some small, subsidiary structures, while the other main plant is located only a mile away. Marchant's total floor area in its present facilities amounts to 206,000 square feet, less than half of what will be available in the new building, exclusive of expansion space.

Marchant's decision to build practically on its own doorstep was based primarily on two facts: 1)



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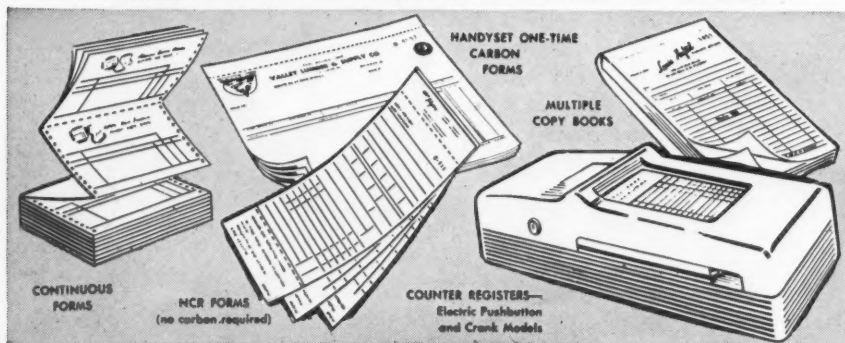
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a large proportion of employees have been with the company for more than half of its 46-year history, and Marchant did not want to risk losing them; 2) the company already owned some land adjacent to its present buildings.

Marchant officials listed for MM some disadvantages of their present multi-building setup. They are:

1. Duplication of production, maintenance and utility equipment.

2. Production engineering, the tool room and machine repair shop have been remotely located from the assembly operations.

3. The duplication of personnel, facilities and services—maintenance shops and janitorial staff, industrial engineering and production control activities, supervisory personnel, quality control groups, shipping and receiving stations, and burglar alarm, sprinkler supervisory, and plant guard systems.

4. The necessity of operating two cafeterias, two first aid stations, and inter-building mail and material truck delivery service.

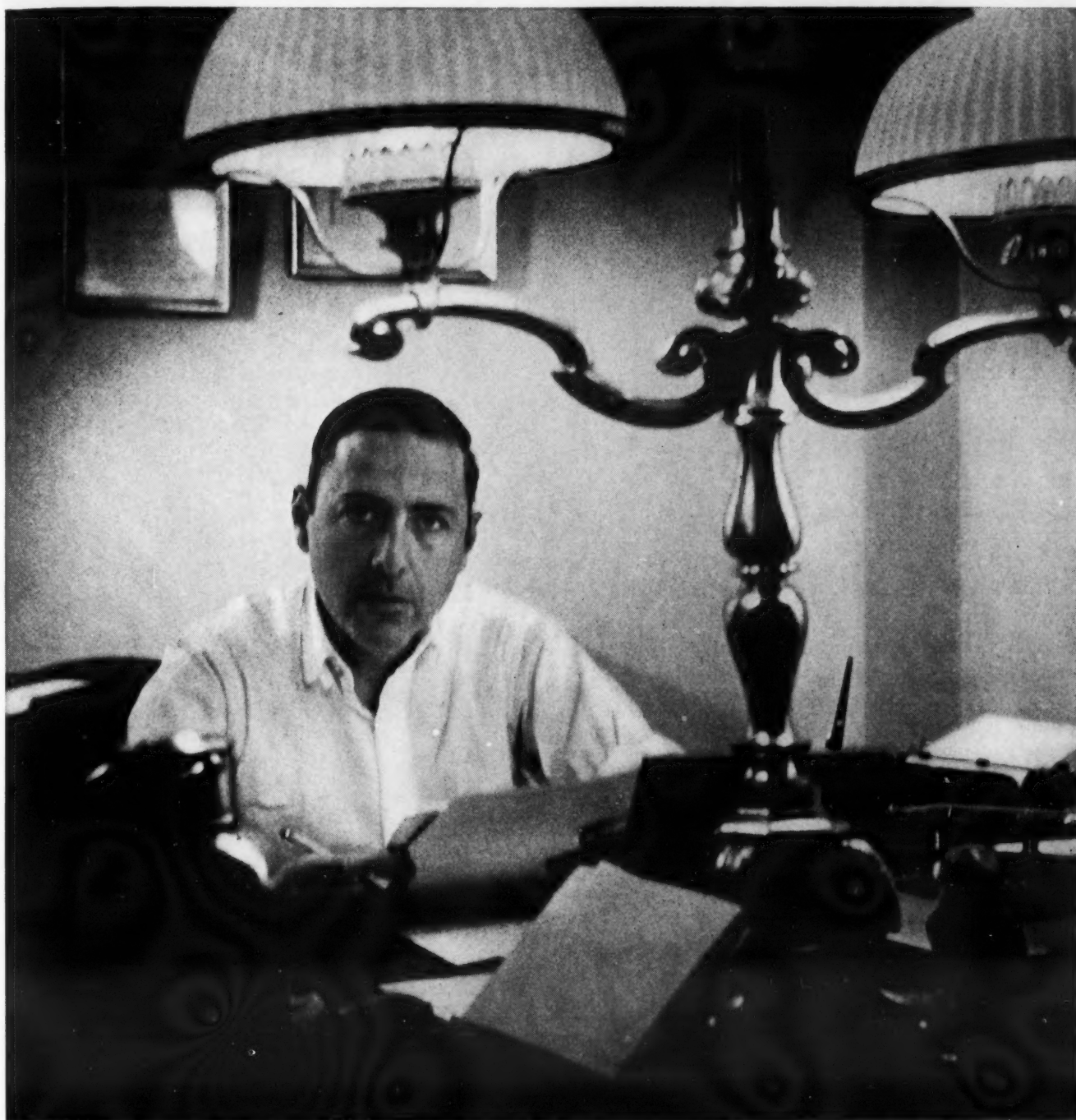
Marchant expects that the new plant will eliminate these disadvantages while offering some concrete advantages of its own.

The better way

Judging from the experiences of other companies, Marchant's expectations are well-founded. In every case investigated by MM, intelligently planned consolidation and relocation has more than paid its way. The disadvantages of a decentralized, multi-building operation are overwhelming in terms of wasted money and time.

Business success today goes to the efficient, economical, smartly-run corporation. The company that started in one room 50 years ago and permitted itself to grow unplanned, acquiring space as it went, is operating under a severe handicap. Consolidation is not an easy decision to make and relocation is often even more of a problem. But the advantages far outweigh the problems.

Business growth can be most economically productive if it is planned, channeled, coordinated. Consolidation and relocation represent one method of coordination that, while not simple, is probably the most effective. m/m



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thought starters

Thought Starters deal with "practical solutions to administrative problems." The Editor invites contributions—which are paid for at our normal space rates.

COMMUNICATIONS

Telephone recording keeps all informed

By Lucille Cumins

Effective management-employee communication is a major problem in most industries. Since direct face-to-face contact on all levels is usually impossible, most firms have fallen back, with varying degrees of success, on bulletin boards, magazines and similar devices.

One New Jersey company, however, has found a novel, obvious and extremely effective medium to lick its internal communication problem—the telephone.

At the U. S. Metals Refining Co. plant in Carteret, N. J., any one of the 1,800 employees can pick up his department phone, dial "8" and get a tape-recorded message telling what is going on around the plant.

Each morning a new tape is prepared to dispense company news. There may be a safety talk, an item about some new machinery, news about a fellow worker's pending retirement or an addition to his family.

During collective bargaining negotiations a three minute summary tells the employee how the talks are progressing and what happened in the previous day's session. The summary is factual and is not slanted in any way.

The telephone communications system at the Carteret plant is credited with producing a friendly and informed atmosphere for the plant's workers.

FURNITURE

New desk combines safe, large work surface

A safe, a desk and more than 25 square feet of working surface have been engineered into one compact fireproof unit by the Shaw-Walker Co. The new desk

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60 copies of a 50-page report in only 3 hours . . . each copy as sharp as the original

Sally Jo is a happy girl today. She's getting compliments from everyone. That new hair-do does something for her. So does that snappy outfit . . . And xerography makes her look good, too.

What's xerography?

That would have been a fair question a few years ago when The Haloid Company first unveiled it. But today xerography is widely known—in business, industry, and government—as the world's most versatile and economical copying process.

If you've installed it at your plant, you know that paperwork duplicating of all kinds is no longer a problem.

That's why Sally Jo looked good

today. The vice-president asked her if she could get him 60 copies of a 50-page report *in less than three hours*.

Impossible? Not with versatile xerography. She quickly had the necessary 50 offset paper masters prepared on XeroX® copying equipment, then had multiple copies run off on an offset duplicator.

"Splendid!" exulted the v.p. "These copies look as crisp and fresh as yourself. They're terrific, Sally Jo . . . thanks to xerography. When I go into a meeting or send out a report, I want everyone else to have just as good a copy as my own. That's what these are . . . each as sharp as the original."



The fastest, cheapest, most versatile way to make masters for duplicating

Anything written, printed, typed or drawn can be quickly copied by xerography onto masters for duplicating. Copies in the same, enlarged, or reduced size can be made from one or both sides of the original material, by this dry, photo-exact, electrostatic copying process. New developments make xerography the one, all-purpose, fast and economical process for copying onto different types of masters for duplicating.

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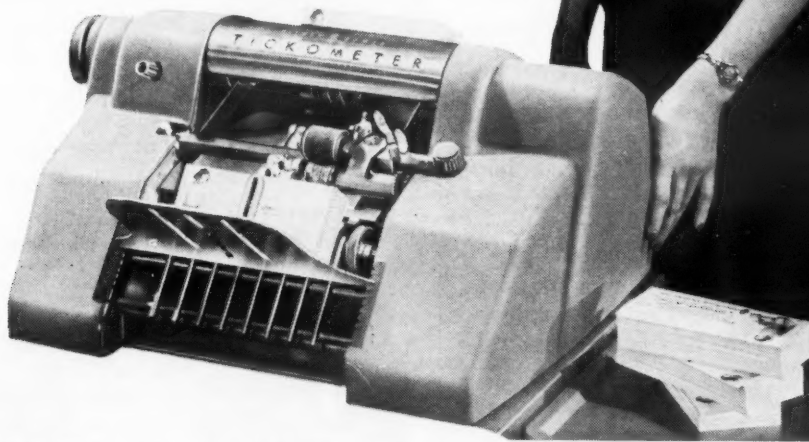
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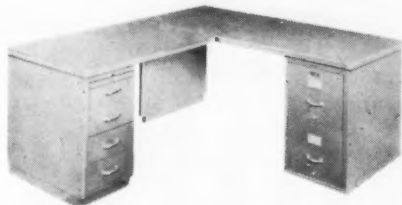
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and its occupant fit comfortably into a space just 70 by 76 inches.

The L-shaped structure (see picture) has a fire-file safe on the right pedestal and is equipped with five compartmentalized drawers on the left. There is knee room under both sections of the desk.

The safe is built into two drawers instead of utilizing a door, and bears an Underwriters Laboratories



One-Hour Label. A cashier's fire-file, specially designed for sit-down use, can be substituted for the safe if the desk is to be used at point of contact with the public.

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PERSONNEL

European scientists, engineers seek U. S. jobs

A list of well over 100 highly qualified European scientists and engineers ready to accept employment in the U. S. has been published by D'Agostino Associates.

Summary background information on each individual is included in the list, which is broken down by specialist classifications.

For a free copy, circle number 898 on the Reader Service Card.

TRANSPORTATION

Rent-a-plane service now available

The Hertz Corp., pioneers in automobile rentals, have inaugurated a new rent-a-plane service.

A wholly-owned subsidiary is currently issuing licenses to selected Cessna Aircraft Co. dealers to conduct rental plane operations. The aircraft will be available on both a charter and a "fly yourself" basis in major metropolitan centers throughout the United States.

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

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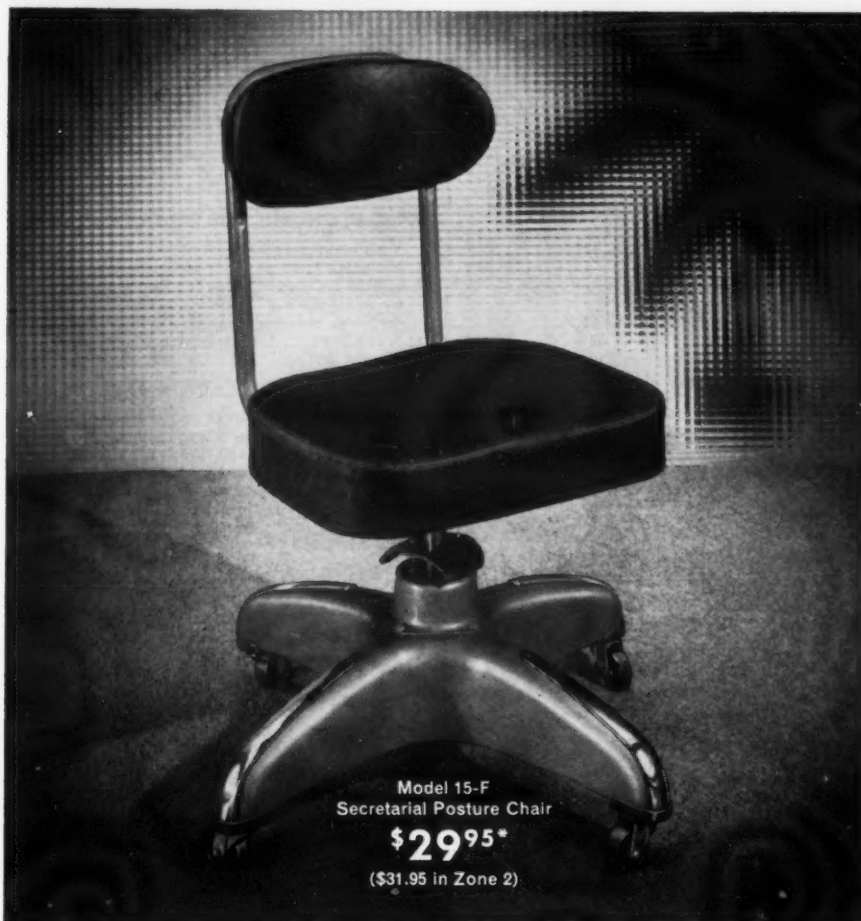
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ARBITRATION

Labor-management film available to executives

An on-the-spot, unrehearsed labor-management dispute is the subject of a training film now offered to business executives. The film was produced by the American Management Association to show labor relations specialists, key managers and supervisors a typical arbitration hearing.

AMA says "Arbitration: An Actual Hearing of a Labor-Management Dispute," has proved to be a valuable aid for pre-conditioning management personnel before actual arbitration. Each copy of the film is accompanied by a leader's guide containing complete script, a review of arbitration techniques, and other material helpful in building a training program around it. The full purchase price is \$195 (to AMA members: \$130). Rental is \$30 the first day, \$10 for each additional day.

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SALESMEN

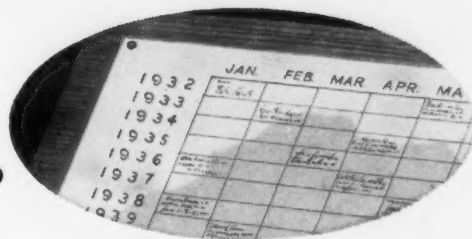
Fuller Brush uses film to attract new salesmen

Fuller Brush Co. uses color slide-films to recruit its new dealers. More than 500 of the firm's field managers are now equipped with films and projectors to carry the recruitment message right to potential employees.

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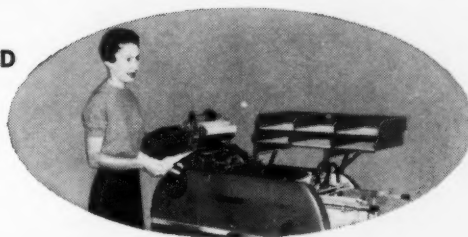
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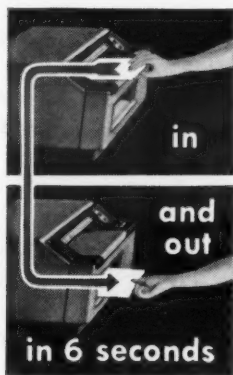
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areas of interest to future dealers: profits, nature of work, and advisability of leaving present position. Also detailed in the film are such things as the type of territory available to Fuller's dealers, and company benefits.

NEW LITERATURE

Booklet gives hints on offset reproduction

A new booklet presenting valuable hints and suggestions on the use of office-size offset equipment has been published by Mead Papers, Inc.

The 24-page manual, titled "big results with office-size offset equipment," touches on such subjects as preparation of copy, using artwork and photographs, varying type-faces and tricks and gimmicks that can dress up offset work.

Tucked into a pocket on the inside back cover of the brochure are three "clip tip" sheets with an assortment of art, type and hand-drawn versions of words and illustrations most frequently used in office offset work. These, along with others which will be supplied on a continuing basis to anyone requesting them, are offered free of charge for reproduction.

For a free copy, circle number 895 on the Reader Service Card.

Booklet aims at business tensions

"The Worry-Go-Round," illustrated booklet issued by the Connecticut Mutual Life Insurance Co., tells businessmen how to stop the more common causes of personal high tension.

Studded with pertinent cartoons, the booklet dramatizes each potentially dangerous situation with a few words of explanation and some advice. Based on the theory that understanding is the beginning of self-knowledge, the booklet takes its theme from Plato's comment, "So neither ought you attempt to cure the body without the soul . . ."

"The Worry-Go-Round" is aimed at keeping ulcers away from the harried business executive.

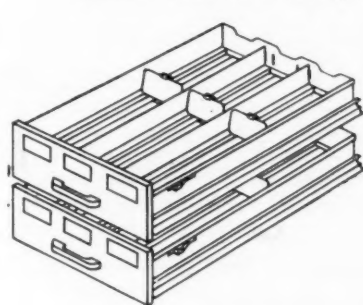
For a free copy, circle number 894 on the Reader Service Card.



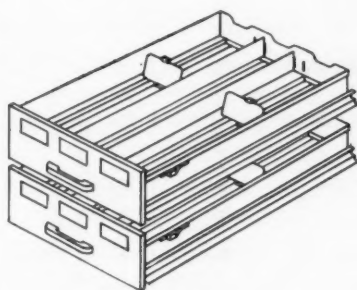
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You Can Quickly Overcome the waste and inefficiencies which are inherent with inflexible filing equipment. Crestline Files not only give you a size for every need—you can, when the need arises, substitute drawers for particular requirements—in both letter and legal size cabinets.

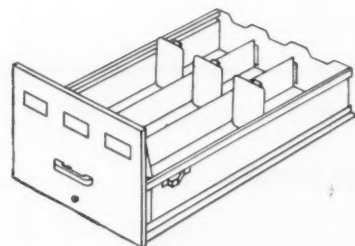
You will effect important savings with Security Steel Filing Equipment. Our New Crestline File Catalogue gives complete details. *Send for it today.*



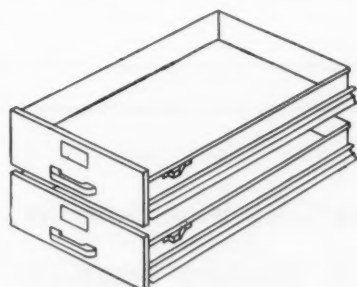
5" x 3" CARD DRAWER



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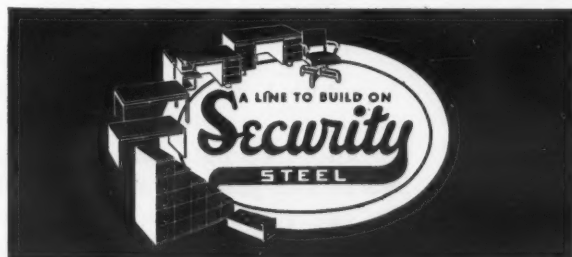
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SECURITY STEEL EQUIPMENT CORPORATION

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Please send me the free CRESTLINE Catalog.

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(Circle number 774 for more information)

What and what not to delegate

by **Dr. Donald A. Laird**

Industrial Psychologist

EDITOR'S NOTE: This is the last of four articles on delegation by Dr. Laird, former head of the Psychology Department of Colgate Psychological Laboratory and director of the Ayer Foundation for Consumer Analysis.

Before yielding to the desire to delegate a task to a subordinate, make sure you have a good reason for doing so. Here are some simple tests to apply when making your decision.

There's one job the executive cannot delegate. It's the task of deciding what is delegable and what is not.

The major factor going into your decision may often be a choice between the desire to ease an immediate burden promptly and directly, and a long-range goal of developing the capabilities of subordinates.

Sometimes there will be a con-

flict in the executive's mind between his desire for prompt results and his concern with the long-range interests of the organization. In such cases, the decision may have to be made with an honesty and objectivity that taxes ordinary human attributes.

But here is the over-all picture which will help you decide what and what not to delegate.

When the objective is to ease your immediate burden,

YOU SHOULD DELEGATE:

1. "Hangover" responsibilities that originated in other jobs, situations, crises, etc., if they have no direct relation to your current executive function.

2. Recurring routine details which sometimes assume such relaxed, old-shoe comfort (compared to the

headaches of policy-making) that you find yourself reluctant to pass them down the line.

3. Routine decision-making. This is time-consuming for you; only exceptional or troublesome decisions should come from the boss. Incidentally, delegating routine matters

provides good training material for subordinates.

4. Jobs that regularly consume big chunks of executive time, such as reports, meetings, entertainment, etc. If your presence is not needed for policy reasons, you can save your time (and once again enrich

your subordinates' experience) by sending proxies to trade and professional meetings and by having preliminary research and writing on reports done by a subordinate.

5. Functions you are least qualified to handle. Be frank enough with yourself to delegate in order to

compensate for your own weak spots and shortcomings.

6. Details you don't like—providing you can find someone who does. By giving people the jobs they enjoy, you get not only better work, but a number of by-product advantages, including better morale and

better support from your people.

7. Duties that tend to under-specialize you—if your aim is to narrow your own duties and to concentrate in a desired technical field.

8. Duties that tend to over-specialize you—if you are aiming for a broader managerial career.

However, when your objective is to ease your immediate burden,

YOU SHOULD NOT DELEGATE:

1. Activities for which you cannot define a goal. In all likelihood they will prove to be meaningless, obsolete or both, and consequently should be eliminated altogether.

2. Any job detail which has to do with such essentially executive functions as:

- Setting objectives for the company, division, department or office for which you're responsible.
- Organizing subordinates into an efficient team.
- Motivating and communicating with employees through planned, face-to-face contact.

■ Checking and analyzing results as guides to future plans.

■ Developing subordinates in job skills and routine decision-making.

3. Duplicating responsibility in which the delegatee is permitted to feel that he's been given a miniature of the chief's position. As a safeguard, set a definite goal with clearly defined boundaries, such as, "Run down the reasons for these rejects and let me know what you think we should do about it."

4. Disciplinary power. Make certain the delegatee understands he

is expected not to use threats or discipline to reach his objective.

5. Decision-making which involves objectives of the firm or of your own particular sub-unit.

6. Decision-making which involves inter-plant or inter-departmental relationships, future plans or large numbers of personnel.

7. Complete responsibility. Remember that obligation for satisfactory performance runs back directly to the one who made the delegation. Delegating a job doesn't mean "dumping" it.

Now, if your objective is to develop employees, these are the kinds of jobs

YOU SHOULD DELEGATE

1. Tasks that add to skills or mold attitudes of the individual. If you haven't duties in your own position to delegate for this purpose, make them available by rotating job elements from employee to employee.

2. Tasks that will provide more variety in the employee's job. This will help to prevent some of the unfortunate consequences that often

result from job over-simplification.

3. Tasks that contribute to "wholeness." These are the duties that bear some relationship to what the worker is already doing, so that the act of delegating will serve to produce a better-rounded "job package."

4. Jobs involving enough challenge to stimulate an employee, but

avoid delegating tasks of such complexity as to baffle or frustrate him.

5. A sequence of jobs on which you feel sure the employee will do well. This helps him develop by providing an increasingly challenging task each time he has mastered one of less complexity.

Delegating, logically, should be a welcome form of activity among executives—yet many still find it a

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ACME VISIBLE

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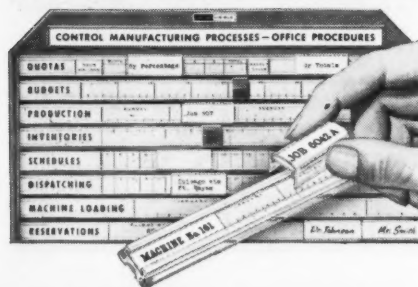


Chart Action, Indicate Trends, Permit Comparison, Organize Facts for Analysis and Decision.

Complete flexibility with limitless signaling and charting possibilities . . . Easily adapted to your individual records.

Lightweight panels contain clear plastic tubes which are individually removable and may be shifted from one position to another . . . Clarity of tube provides full legibility of contents.

Ask the man from Acme for examples.

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difficult, distasteful hurdle to clear. The two most common reasons for this seem to be: 1) executives have qualms about relinquishing duties they feel are important to people whom they believe are less well qualified than themselves; or 2) they inwardly shudder at the

possibility that the subordinate may do a better job than they have done.

Notwithstanding the qualms and the shudders, there is no way to avoid the fact few men have succeeded in management without mastering the art of delegation. m/m

Try psychoanalyzing your own job

Put your job on a couch once in awhile. Walk around it, look at it from several angles. You'll find you can cut it down to manageable size by spotting some of the details that can be properly delegated.

The form below shows how a hypothetical sales manager reorganized his own position.

BREAKDOWN OF POSITION

To locate details that should be delegated

Position. *Sales manager* Date. *Feb. 1957*
 Goal, or objective. *Increase sales of our more profitable items*
 Is general goal being reached? *Almost—but sales costs are up*

What I do	Why I do it?	Subordinates able to do this for me now	Subordinates who could be trained to do it
1. Plan territories	Give each man a fair chance, yet a challenge	Doran	Scott James
2. Adjust customers' complaints	Retain good will without losing profit	Murphy <i>but give him more authority</i>	Newton Fritz
3. Weekly letter to Salesmen	Keep them informed of items to push	Scott Osgood	James Doran
4. Supervise field warehousing	Service to distant customers	<i>This is reason our costs are up. Turn this back to manufacturing to supervise</i>	
5. Help plan new products	Keep customer appeal ahead of competitors	<i>All above named, but better keep this under my own wing</i>	
6. Devise sales deals	to motivate prospects and sales staff	<i>Why not work up a committee for this?</i>	



Why your best customer just got a busy signal

When customers phone, they want *you*—not a busy signal. But, if your switchboard is jammed with inside calls, outside calls have to wait.

A P-A-X business telephone system is the answer. P-A-X is your own private dial telephone system for calls within your organization. It is fully automatic . . . entirely independent of your switchboard. Leaves your present board free to handle outside calls swiftly and efficiently.

Good things happen when you install P-A-X. Time is saved. Employees dial their calls, right from their desks—instead of walking to other offices. Executives get action—instead of "Sorry, no lines." Customers

phoning in get you the *first* time they call.

There are no toll or rental charges for P-A-X. You own the system. And it soon pays for itself.

We'll be glad to send you an interesting case history brochure that tells how P-A-X is saving important money daily in a business like yours. Write today for your copy. Automatic Electric Company, Northlake, Illinois. *In Canada: Automatic Electric Sales (Canada) Ltd., Toronto. Offices in principal cities.*

P-A-X business telephone systems

AUTOMATIC ELECTRIC

A member of the General Telephone System—
One of America's great communications systems



Even if you need a center-city location, renting space in a modern skyscraper may not be your only answer. The firm described here makes a business of building skyscrapers—but turned to an old, small brownstone in establishing its new headquarters. Here's the why and how of its do-it-yourself approach.

How to unmask the value of an old building



Most business firms feel obliged to use their own products, but not Diesel Construction Co.

Diesel Construction is one of New York's major building firms; it has general contracted some of Manhattan's most glittering new office skyscrapers. But in establishing its own headquarters, the firm seems to have spurned its own handiwork by settling in a remodeled version of one of New York's traditional old brownstones. Chairman Erwin S. Wolfson, an enthusiast for modern office facilities, feels his firm has good reasons for making the unique move.

When the initial search for a new headquarters location was recently undertaken, officials of Diesel Construction realized that a vertical office arrangement would best suit their operation—a floor-by-floor setup to separate architectural and engineering functions, construction divisions, clerical center, and executive offices. But a study showed that only about 10,000 square feet of space was needed in all. It was evident that such a small amount of vertical space would be virtually impossible to find in one of the huge new skyscrapers.

The acquisition of a narrow, old, five-story apartment building at 24 W. 58th St. solved the special

space problem. In addition, it provided a convenient midtown location, an important requirement for the firm.

Once the building was purchased, a striking transformation began. Today nothing remains of the building but its foundation and structural elements.

With a slick new facade, a completely revamped interior, full air conditioning, and modern decorative techniques, the building provides both a functional headquarters and some ingenious design features that seldom fail to impress visitors.

In the executive area of the building, Mr. Wolfson developed an office and private secretarial suite that allows the space to be used separately or in combination. A sliding walnut panel serves as a divider and a splayed ceiling rising to a height of 15 feet provides a feeling of spaciousness.

The face-lifting job cost more than the purchase price of the building. Chairman Wolfson, however, feels the expenditure is more than justified by the result: "Now we have exactly what we want, where we want it."

Diesel Construction Co.'s offices were planned by Howard Snyder, architect. Interiors were designed by Michael Saphier Associates, Inc., and Intramural, Inc.



BEFORE: Just the right amount of vertical space and an excellent midtown location off Fifth Ave. were the virtues that attracted Diesel Construction Co. to this old brownstone on New York's 58th St.

AFTER: Diesel Construction's remodeling job made this beauty more than skin deep. All that remains of the old building is its foundation and structural elements. Remodeling included full air conditioning.



Diesel Construction's new conference room is an example of the changes made in the building—and a striking example of the trend toward living room-like design in modern executive suites. The small garden terrace is reached through sliding glass doors. Adjoining the conference room are a kitchen and dressing room. Thus, the area can be used not only for entertaining and catered business luncheons, but as a convenient town apartment for Chairman Wolfson.



Chairman Wolfson's private office is simple and functional, but warm in design. The draperies of brown and beige set the masculine decorative theme. Walls and carpets are beige, the desk chair is brown leather, and the two visitor chairs are upholstered in beige and black. Two club chairs in burnt orange provide the accent color.



A sliding walnut panel connects Chairman Wolfson's office with his secretary's. The combined area features a splayed illuminated ceiling at a height of 15 feet. Openings in three different types of ceiling diffusers control the intensity of the light.

sales ideas

How to sell BY DIRECT MAIL



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Hano's new special Litho Tab presses and collating equipment are now producing the quality forms necessary for today's high-speed form writing. See samples of better tab forms.



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MANIFOLD PRINTERS SINCE 1888

EDITOR'S NOTE: With sales costs zooming all across the business board, the direct mail campaign, long a stepchild of advertising, is assuming new importance. Companies are discovering that, properly used, direct mail is highly profitable for all kinds of products and services. The following article is based largely on material in a booklet entitled, "How to conduct a direct mail campaign," issued by E. I. du Pont de Nemours & Co. For a free copy of this useful booklet, circle number 892 on the Reader Service Card.

It is possible that direct mail may not be the answer to your sales problem, but don't dismiss the idea without careful consideration.

Many firms, caught between high production and high sales costs, have turned to direct mail more or less in desperation—and have found it an invaluable aid in solving sales problems.

Direct mail can be employed in a variety of ways, but the two primary uses are 1) to sell a product or service to the receiver of the mailing piece with no other sales effort, and 2) to use mailing pieces to "soften up" a potential customer for the salesman's personal visit.

Obviously, techniques must vary for each of the two goals, but certain basic rules remain the same. There are, of course, a number of firms that have developed the planning of direct mail campaigns into a specific advertising art. But whether you're thinking of retaining such a firm or doing-it-yourself, there are several factors to keep in mind.

1. What do you want to achieve?

Do you want the recipient of your mailing piece to simply become aware of your firm's existence, or do you want him to buy your product or service by mail—or from one of your salesmen who will contact him later?

(Circle number 780 for more information)

your product

Has your sales campaign got tired blood? If so, a simple or imaginative direct mail sales effort may be just the tonic needed to pep it up right now. Whether you make art supplies or zoo cages, experience shows that direct mail selling can add to your profit.

2. What do you have to say?

A direct mail campaign is the most personal type of advertising you can use. Never use it unless you have something pertinent to say. A safe bet is to pretend you are actually talking to your potential customer face-to-face. You wouldn't waste his time (or yours) unless what you had to say was important. A mailing piece should have the same pertinence as a personal visit.

3. Whom do you want to reach?

If you're selling the best fishing rods in the world, and your mailings go to skiers, they won't be interested and they may "go away mad." You *must* get your material to the people it concerns.

There are companies that prepare mailing lists on virtually every conceivable classification. Addresses of everyone from artists to zoologists are available. Costs will range from 1½ cents to 80 cents per name and up, depending upon the size of the list, availability of the names and the rapidity of obsolescence.

4. When do you want to reach your potential customers?

Several long-held theories on "good" and "bad" times to send out direct mail have been scotched by a 10-year study conducted by Kiplinger in Washington, D. C. For example, the day of the week on which direct mail goes out is no longer important, nor is it necessary to avoid holidays or "special" days such as election day or income tax deadline days. No correlation was established between results and weather or the month the campaign was initiated.

However, the Kiplinger study involved only non-seasonal materials; if you're selling gardening tools or Christmas cards, the time of mailing obviously will affect the results.

Ways and means

You've decided what you want to achieve, what you

Do you hang your clothes
on a hickory limb?



Which do you prefer?

BORROUGHS
wrap rack

of course!



LOOK how bunched-up the coats are on the old fashioned rack—then note how neat and trim they hang on the Borroughs Wrap Rack. Rainy fall days will soon be upon us — and there's nothing worse for coats than bunching them together, wet, on an old fashioned clothes rack . . . they stay damp all day, and are shapeless and messy when you put them on. So before you buy anything to hang coats on, be sure to see the Borroughs line. There are 3 standard sizes to accommodate 6, 9 or 12 coats and hats. The 9 and 12 models are available in double face units — and "add-on" units can be added. Rigid steel construction, welded for added strength. Choice of 4 colors — Fall Tan, Gray, Spring Green, Dark Green. See your local office furniture dealer. If he does not have Borroughs Wrap Racks in stock, he can quickly get them for you.

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A Subsidiary of The American Metal Products Company of Detroit

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KALAMAZOO, MICHIGAN

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Swiftly, thrifty numbering machine

Force
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Handles most every office numbering job quickly, inexpensively. Automatic — consecutive, duplicate, repeat; 6-wheel capacity. Sturdy frame, easy action, smooth operation. Prefixed letter wheel when desired without extra cost.

Nine stock combinations, all at one low price!

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216 Nichols Ave.
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Sales Offices: NEW YORK • CHICAGO • SAN FRANCISCO • MONTREAL

(Circle number 782 for more information)




VIVA-LA DIFFERENCE!

THE FRENCH DEPUTIES ROARED
As the Bill to allow women to vote was up for a roll call and one member pleaded: "Everyone knows there is only a tiny difference between man and woman!"

NOW! You Will Also Cry:
"VIVA LA DIFFERENCE!"

When You Compare the Old Style $\frac{3}{8}$ " Index Tabbing with



AICO'S NEW $\frac{1}{3}$ " Typerite INDEX TABBING!

The Difference is Only $\frac{1}{24}$ "
The Thickness of a Thin Dime!
BUT YOU SAVE 56% TYPING TIME
The Tabs & Inserts Are Typewriter Spaced!
Typists use the line space lever, no soft roller is required.

COMPARATIVE SIZES
Shown Above. Note how the difference is hardly noticeable.

AICO INDEXES

FREE! If you are still buying the old-fashioned $\frac{3}{8}$ " Size, write Dept. 30 today for Free Sample and Insert Strips of the new $\frac{1}{3}$ " Size.

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426 S. Clinton St., Chicago 7, Ill.

(Circle number 783 for more information)

6-STEP FORMULA FOR DIRECT MAIL LETTERS

One of the most famous direct mail formulas took years to develop and is now being used by dozens of prominent writers of direct mail letters. The steps in this formula are:

1. Promise a benefit in the first paragraph.
2. Enlarge upon that benefit.
3. Tell the reader specifically what he can expect of your product or service.
4. Tell the reader what he stands to lose if he doesn't act now.
5. Incite action now.
6. Conclude with a P.S. rephrasing the headline or opening thought.

have to say and whom you want to reach—now what?

Your mailing envelope should contain your "personal" letter to the recipient and whatever enclosures are necessary to tell your story. While the covering letter *can* be omitted, its omission destroys that personal touch, the very thing for which you are striving.

Keep your letter:

■ Friendly—not effusive, presumptuous or insincere, just friendly.

■ Clear—don't assume that your reader has the same background knowledge that you have of your product or service.

■ Simple—don't turn "literary"; don't try for something "better" than ordinary conversational speech. We use the words we do every day because experience has taught us that they express our meanings most quickly and understandably.

■ Concise—you can be concise and still write a three page letter; just be sure you tell your *whole* story but nothing more.

One other thing to keep in mind is this: watch out for the shock opening. Humor in a direct mail letter is fine if it's humorous. But remember that your letter will be going to a great many people; some of them laugh at one kind of joke, some at another. It's safer to steer clear of attention-getting gimmicks—the attention may not be the kind you'd like. A light touch—if it is directly tied in with your message—may, however, provide the reader with a welcome break in his routine.

While your letters should be fairly conservative, you can go as far as you like—and can afford—with your enclosures. They can be booklets, brochures, leaflets or stuffers. To achieve variety you can vary enclosures

by changing their dimensions, method of folding, type of paper, typography, color and illustrations.

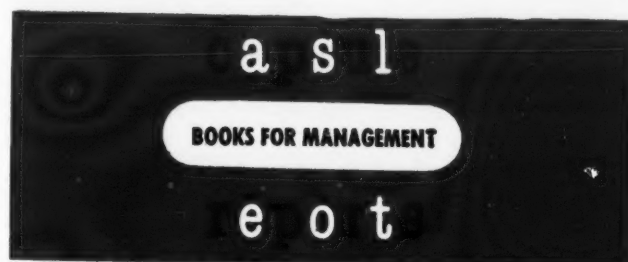
You can use unusual materials, gadgets, samples, transparencies, pop-up folders, perfume-impregnated paper, and a multitude of other devices designed to attract favorable attention.

A word of warning: don't make your enclosures so tricky that the recipient remembers only your cleverness and not your message.

How much is enough?

According to the National Sales Executive Club, 80% of all sales are made after the fifth call. Thus an average direct mail campaign should employ five or six separate mailings. As many as 10 may be necessary, but rarely is a one-shot "campaign" worth the time or the effort.

Remember that direct mail is no cure-all, but that taken as a remedial tonic, it can pep up the tired blood of sagging sales.



Text book for market researchers

MODERN MARKET RESEARCH, A Guide for Business Executives, by Max K. Adler. Philosophical Library, Inc., New York. 1957. 158 pp. \$4.75.

This comprehensive text is designed, in the words of its author, to explain "market research to the ever increasing number of businessmen who have made use of it or consider using it in the future."

Intended to help management personnel answer basic questions about market research, the volume analyzes such problems as what should be expected in return for the investment made in a market survey, what costs are involved, the function of the research firm, processing data, the role of market research in our economy, the use and size of the sample, etc.

A series of charts, liberally sprinkled throughout the book, help the reader evaluate the points made by the author.

How to make a work sampling study

WORK SAMPLING, by Robert E. Heiland and Wallace J. Richardson. McGraw-Hill Book Co., New York. 1957. 243 pp. \$6.

Here is a comprehensive, "how-to" treatment of work sampling—a highly flexible, economical method for work measurement. The book is self-sufficient so that even someone unfamiliar with the technique can now conduct a study. It explains the theory, furnishes the necessary statistical information, and gives clear, step-by-step instructions for planning, carrying out, and interpreting a study.

In addition to the few applications previously rec-



Distinctively BENTSON



Distinction is earned . . . not bought! Forty years of sound engineering and precision construction have earned Bentson products a distinct reputation for quality performance and dependability. Those who want real office comfort and prestige quality . . . always buy Bentson!

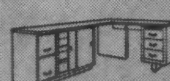
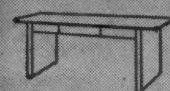
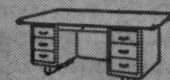
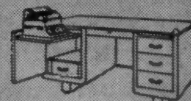
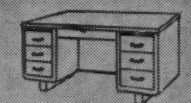
Bentson dealers appreciate the advantage of product distinction. The class and flexibility of the Bentson line meet exacting customer requirements.

Distinctive quality for the receptionist, clerk or top executive. Available in a wide range of decorator's colors to enhance the beauty of any office.

Desks, tables, modular units and filing cabinets, with matching companion pieces are available in a variety of styles, top sizes and function for any office need.

All Bentson desks feature interchangeable drawers with optional drawer arrangement. Rigid construction throughout — double-walled box drawers and reinforced framework.

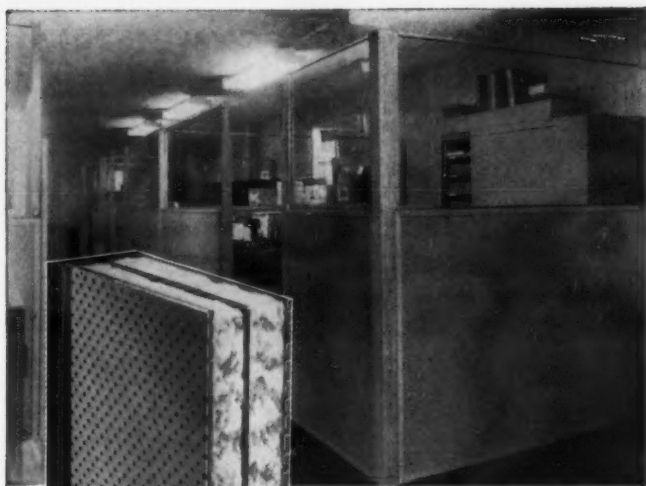
Bentson files make clerical work easier. Smooth drawer operation on ball bearing cradle suspension. Models available with or without thumb latch or general lock.



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The BENTSON Mfg. Co.
AURORA 3, ILL.

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**gives you as many counters
as you need for control
of product-uniformity**

Production figures by
types of units . . . compara-
tive test results . . . inven-
tories, estimates, traffic and
quality control checks . . .

basic business data of all kinds is readily obtained with
Vary-Tallies that are assembled to your
exact needs. Spacious key on each counter
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ognized for work sampling, the authors show that it is equally valuable as a method of work measurement to a surprisingly large number of other fields, even non-repetitive work, they point out. It shows how to cut clerical, maintenance, materials handling, and service personnel costs. It can be used to measure economically office work, machine accounting, construction operations, drafting departments, and hospital and department store activities as well as factory.

Testing an economic theory

INDUSTRIAL TAX-EXEMPTION IN PUERTO RICO, by Milton C. Taylor. *The University of Wisconsin Press. Madison, Wis. 1957. 172 pp. \$3.50.*

This comprehensive case study of tax subsidies for industrializing underdeveloped areas uses as its base Puerto Rico, "the only area within the economic and political complex of the United States in which it is possible for mainland entrepreneurs to obtain a virtually complete tax holiday for a limited period of time."

Industrial tax-exemption, as a method of attracting industries to locate and produce in heretofore underdeveloped areas of the world, has grown into a lively political issue in some nations. While it has been given much credit for Puerto Rico's industrial growth in the post-war years, there are those public finance officials who regard the policy as inequitable and ineffective.

In this book, Mr. Taylor, who was consultant to the Government of Puerto Rico in 1952 and 1953, studies and analyzes the effect of this policy on the island.

An aid to impulse buying

THE SELLING POWER OF PACKAGING, by Vernon L. Fladager. *McGraw-Hill Book Co. New York. 1956. 144 pp. \$3.50.*

The continued rise of "self-service" distribution has increased the importance of good packaging as a profit factor in business, says author Fladager, an account executive of D'Arcy Advertising Co.

Surveying the field and citing the revolutionary effects that packaging can have on sales, Mr. Fladager discusses the growth of self-service retailing, the changing consumer, the importance of integrating packaging with advertising and promotion, the rising stature of the package designer and the advisability of pre-testing new packages.

The book is designed to provide both business executives and promotion specialists with an understanding of how management can help solve some of its key problems with packaging.

Computers—what they can do for you

COMPUTERS: THEIR OPERATION AND APPLICATIONS, by Edmund C. Berkeley and Lawrence Wainwright. *Reinhold Publishing Corp., New York. 1956. 366 pp. \$8.*

Here is a book that illustrates and describes in down-to-earth terms the techniques and equipment of automatic computing.

The book can serve as a practical guide to exactly how computers work and the jobs they can do. All of the basic elements of digital, analog and miniature

Short cuts with Recordak Microfilming

Latest report on how this low-cost photographic process is simplifying routines for thousands of business concerns and government agencies



Major General J. D. O'Connell, Chief Signal Officer, U. S. Army, and Lt. Col. H. E. Nestelrode, a member of General O'Connell's staff, compare size of blueprints with that of microfilm aperture cards which will be furnished to selected Signal Corps installations

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An ingenious idea—the use of 35mm Recordak Microfilm in small aperture cards—does away with bulky blueprints . . . may well change engineering habits the world over.

Working with the U. S. Army Signal Corps in this revolutionary project at Fort Monmouth is the Recordak Corporation, Subsidiary of Eastman Kodak Company. Its recent discoveries in microfilming techniques and



"Will save days and weeks in issuing defense contracts"

quality control allow the use of low-cost 35mm Recordak Microfilm instead of 70mm or 105mm microfilm. Its trained personnel, using specially designed equipment, handled what looked like an impossible job with relative ease.

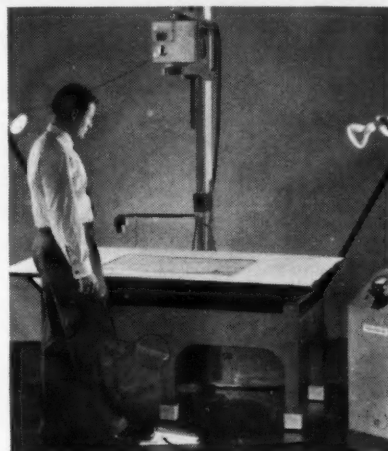
All in all, some 700,000 Signal Corps drawings, prints, and specification sheets—all sizes, all ages, all colors—are being reproduced uniformly on Recordak Microfilm. (Signal Corps requirements specify that the background density of the filmed images be controlled within the rigid tolerances of 1.0 and 1.2 on the A.S.A. neutral density scale.) Duplicate microfilm copies are then made from the "master" negative and mounted in the aperture cards. These ready-to-use records are forwarded—in place of blueprints—to the U.S. Army Signal Supply Agency and

Signal depots throughout the world. Thousands of dollars are saved on mailing costs alone.

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Industry has been quick to see the advantages of this new Recordak System which, for the first time, allows superb reproductions of large, complicated designs on 35mm microfilm . . . and subsequent paper-print enlargements without loss of detail. Already many well-known companies have contracted for or are investigating Recordak's service.



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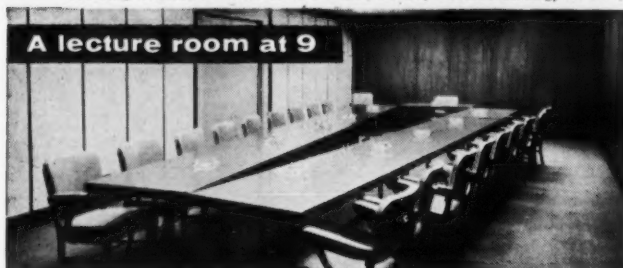
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computers are fully explained. Also covered are subjects such as computer reliability, limitations and maintenance.

One section covers the present and potential applications of computers among business firms. Other sections include: a convenient checklist of computer characteristics; a listing of books, periodicals, papers and organizations offering further information on all aspects of automatic computing machinery; names and addresses of organizations from which automatic computing equipment may be bought or rented; a large glossary of terms and expressions used in the automatic computing and allied fields.

Although the book does not deal exclusively with business applications for computers, administrators will find answers to many of their questions here.

Working with digital computers

DIGITAL COMPUTER PROGRAMING, by D. D. McCracken. John Wiley & Sons, Inc., New York. 1957. 253 pp. \$7.75.

This volume treats the down-to-earth details involved in actually working with digital computers. In clear and logical terms, it discusses many of the points that are especially troublesome to beginners, and builds a sound understanding of programing by means of a lucid presentation of its basic fundamentals. Its coverage is far more comprehensive than that provided by instruction manuals for specific computers, yet is on a more practical level than the broad surveys written primarily for non-users of computers.

To implement his approach, the author has devised a mythical computer combining elements from a number of different models currently on the market. Accordingly, the book is eminently suitable for use when there is no computer available for practice and demonstration. Where a specific machine is available, the applicable parts of the book can be read with profit, along with the large portion of text material that is relevant to any machine.

This book is one of a series written by General Electric authors for the advancement of engineering practice.

How to handle an interview

THE DYNAMICS OF INTERVIEWING, by Robert L. Kahn and Charles F. Cannell. John Wiley & Sons, Inc., New York. 1957. 368 pp. \$7.75.

Successful interviewing requires both a thorough understanding of the psychological forces at work in the interview situation and skill in the use of specific techniques. In *The Dynamics of Interviewing*, the authors analyze thoroughly the forces which motivate the interviewer and respondent, describing the contributions of each to this interactional process.

They describe in detail how to motivate the respondent, formulate questions, design questionnaires, and probe for information. The recordings of actual interviews which the authors have included give you practical examples of the application of these techniques.

The book contains rating scales, too, which enable the reader to evaluate his skills in this increasingly important information-getting method.

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ELECTRONIC BRIEFS WORTH REPEATING

Automatic processing data used in structural design

Automatic computing methods have been adapted by the Austin Co., Cleveland, in connection with the design of the firm's standard H-section welded trusses.

This is thought to be the first time automatic data processing methods have been used in connection with structural design of roof trusses. The company plans to explore the use of electronic computers to obtain the masses of data needed by engineers in the solution of other problems.

In 15 minutes, an IBM Type 650 magnetic drum data processing machine processes as much truss loading data as one engineer can normally prepare in about two months of work.

Field workers' paychecks sent via telephone wire

An electronic computing machine combined with long distance telephone transmission lines has made it possible for a construction company to produce paychecks for field workers by remote control.

The system is being used by F. H. McGraw & Co. of Hartford, Conn. to make out checks for 200 employees working in Brewton, Ala., 1,300 miles from the firm's home offices.

Under the setup the paymaster on the Brewton job transmits by tape-fed teletypewriter necessary data, including names, social security

numbers, deductions, hours worked and rate of pay, to the Hartford office. Each day the employees' records are sent over the wires at a rate of 75 words per minute.

In Hartford the information is transferred by machine onto IBM data cards, ready for insertion in an electronic calculator or computing machine.

At the end of the week a card with all of each em-



McGraw President Clifford Strike transmits first check to Brewton.

ployee's salary computations is inserted into a small machine that automatically transfers the data to a tape. The perforated tape, representing the 200 paychecks, is then ready for transmission to the jobsite.

At Brewton the paymaster inserts a roll of blank check forms in his teletype and stands by to watch the completed checks come through. All that remains is for him to sign and distribute the payroll.

The system is expected to be put into effect on other McGraw construction jobs in

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A home study course, the first and only one of its type, is being offered by Business Electronics Inc. Designed for people without technical training or experience, it is based on a similar course members of the firm developed and are teaching at a large University.

Students are taught to develop and program electronic systems for business problems such as Payroll, Accounts Receivable, Inventory Control, etc. for a theoretical electronic computer called BEC.

BEC was designed for instructional purposes and includes the best elements of commercially available computers. The knowledge the student gains from BEC can be applied to any computer. "Programming for Business Computers" provides an opportunity for the student to study at home at his own convenience for only a few cents a day.

Free brochures describing the course are available upon request from Business Electronics Inc., Educational Division, 420 Market Street, San Francisco 11, Calif.

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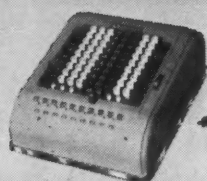
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the near future, cutting down on the fixed costs involved. President Strike estimates the system will greatly enhance his firm's competitive position.



New electronic typewriter creates and reads paper tape

Remington Rand has introduced an electronic punched tape typewriter that creates and reads the paper tape that activates other equipment and wire communications systems.

The machine can be used as an ordinary electric typewriter, preparing source documents, during which operation it automatically translates everything (or selected data) the typist writes into a



punched tape for later automatic processing. When fed punched tape prepared by other machines, it automatically reads and types out the information at a rate of 120 words per minute.

Available in three basic models—a tape punching unit, a tape reading unit and a unit that does both operations—the new machine can be adapted to a variety of data-processing programs.

It is no larger than a standard typewriter and simple to operate. Applications for the new equipment in all types of business include purchase order writing, accounts payable (automatic check writing), payrolls, production orders, quality control and parts inspection, etc.

For further information circle number 893 on the Reader Service Card.

Collating costs slashed with the Macey Collator

The Macey Collator takes over a boring, tedious task...ends wasteful diversion of high priced office people from their jobs, avoids overtime and the expense of extra temporary workers. Two-thirds of the users report savings of 80% or more, with 96% saving 50% or more. Even for infrequent use, it is a real economy and welcome convenience.

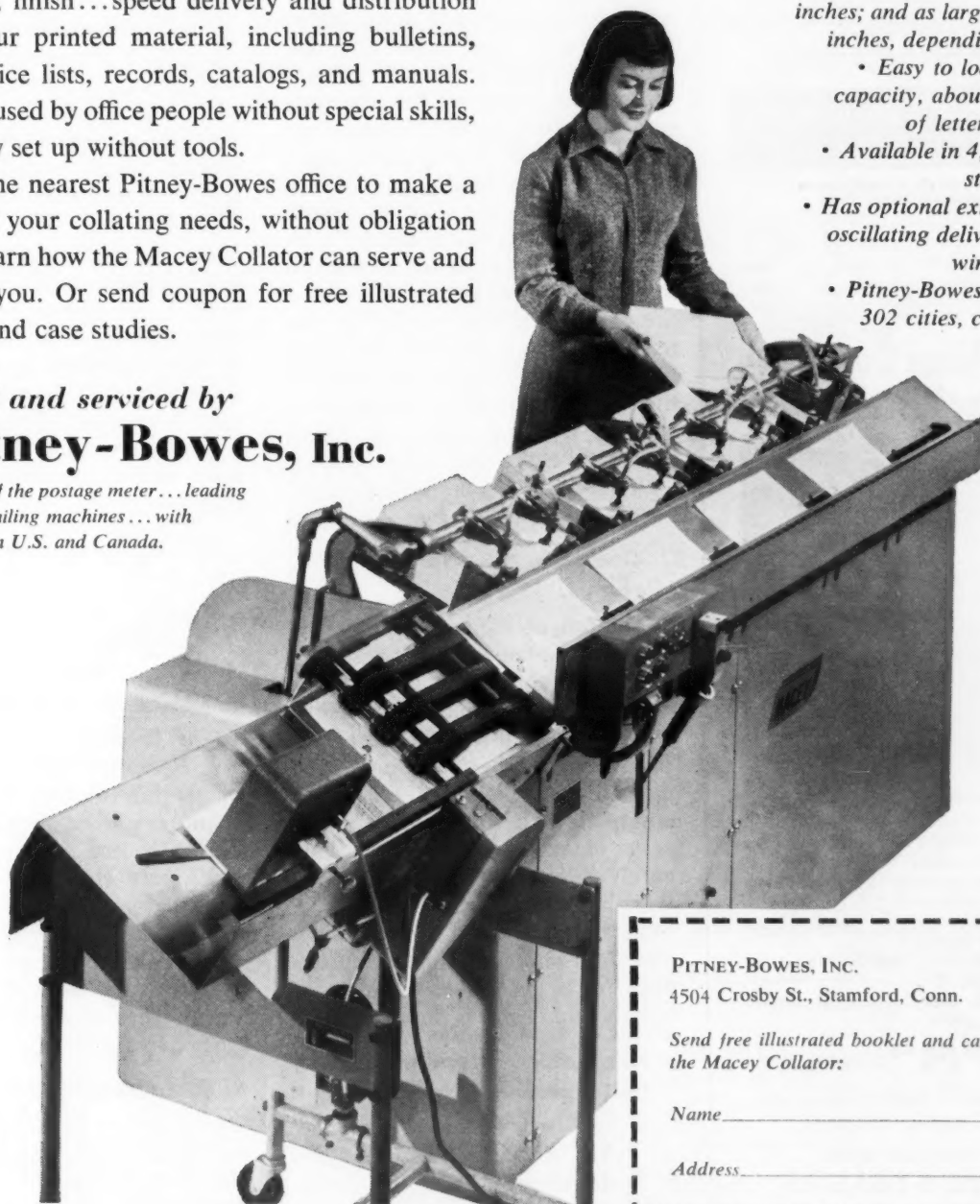
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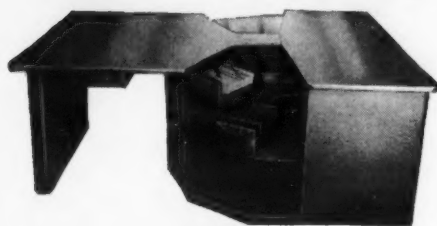
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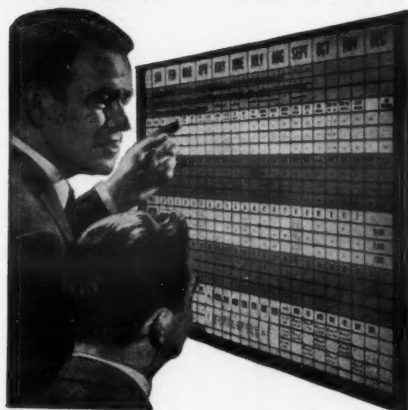
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How to trim telephone costs

(Continued from page 35)

man examines the proposal, quickly paying for his time. Here are a few specific ideas:



1. The problem of the absent executive.

A frequently used, expensive device is the "cut-off key." The man activates the key when he leaves the office. His telephone bell is discontinued and his secretary's telephone rings. This also insures him against interruption by a telephone bell when he has important visitors. Disadvantage: he is very apt to forget to reactivate the key upon returning to his office. Result: incomplete calls because his secretary does not know he has returned. Alternative solution: install an extra bell at the secretary's location which rings when the executive's telephone rings. Usually, there is no charge made by the telephone company for the extra bell. If the bell rings three times, the secretary knows the man either is away from his office or prefers not to take the call. She answers with his name. No cut-off key rental is necessary.

2. Question the use of "hold" relays.

It is often necessary for a person at one telephone to answer calls coming in on other telephones. Most installations include a "hold" key, which requires an expensive "hold relay." On questioning, you may discover that the person equipped with this deluxe equipment never uses the hold key, merely using the buttons to answer the other calls.

On the other hand, if the person must hold one call while using another line to get requested information, the hold relay is important.

3. Eliminate inter-communication lines.

This extra-cost feature is convenient when a man wishes to communicate directly with his secretary without dialing her extension

number. If you rent a Bell System PBX dial telephone exchange, however, you can achieve the same result by dialing one digit after pressing your secretary's buzzer button. This clears the dial tone from your line and gives you private conversation together when she presses her button connecting with your line. This requires rental of the necessary button and buzzer unit, but most executives use such units anyway.

4. Eliminate lighted buttons.

Many of your executives may view the lighted buttons on their telephones as a mark of prestige. They are also the mark of a high rental charge for the extensive relays involved in various lighted equipment arrangements. In general, if one person can see or hear another person talking within a small office, it is not necessary to have a lighted button for the same purpose. In contrast, where a secretary serves a major executive and cannot determine whether he is using certain of the telephone lines, a lighted button is very helpful. Such equipment is also desirable in sales or purchasing departments where answering the wrong line may cause customer or vendor difficulty.



5. Check for unused buttons.

There is always a tendency to over-equip a man with buttons connecting to other lines. The telephone engineer should ask about the utilization of equipment and make sure that one person must immediately talk on telephone calls received by others. On such occasional calls it is easy to flash the operator and have the call transferred, thus eliminating rental of the connecting button.

6. Discourage personal calls.

Such calls are reduced by connecting "restricted" telephones which will not respond to the out-dial digit ("9"). Also, it is effective to

ask the operator to record names of those who ask for an "outside line." Adequate pay stations located conveniently throughout the factory and office will also de-



crease message-unit charges for personal calls made through local exchanges.

If you need to provide modern dictating equipment for increasing numbers of "light" dictators, investigate the telephone dictation facilities now available for renters of PBX equipment. Your local telephone company, working in cooperation with major dictating equipment manufacturers, can build the necessary relays and equipment into your PBX system (MM, Oct. '55).

Operating suggestions

The time of those using the telephones is an important item in telephone expense. The following suggestions expedite transacting telephone business, even if they have no immediate impact on rental fees.



1. Use a buzzer code.

If you are connected with your secretary by buzzer, a code conserves time. Possible suggestions: *One buzz:* "Please come to my office."

Two buzzes: "Take the incoming call on my line."

Three buzzes: "Pick up your phone—I want to talk to you."

Four buzzes: "This so-and-so is staying too long—come in and remind me of an appointment!"

2. Use your secretary's line when dialing outside calls on your telephone.

This frees your line for incoming calls. If your line rings, you can interrupt your call, or you can use

your buzzer code to tell the secretary to answer your line.

If your secretary's number is consecutive to yours, "rotary" service may make her telephone ring when yours is "busy." By using her line on your outside calls, your own distinctive bell rings at her position, and she can answer with your name instead of hers. Example: "Mr. Brown's office," instead of "Miss Smith."

3. Use your cradle button to transfer calls.

It is always faster to flash your switchboard by slowly pushing the cradle button than to contact the switchboard by dialing "O" on an adjacent line after you have pressed the "hold" button to hold your call. This also avoids your interrupting someone who may be using another line.



4. Stay on the line for long distance calls.

Direct dialing now used on most calls permits fast completion. If you place the call, hang up and then leave your desk, the resulting toll charge will be increasing while the operator is locating you or ringing you back. It is good manners to be available when your called party answers.

Telephone manners, in general

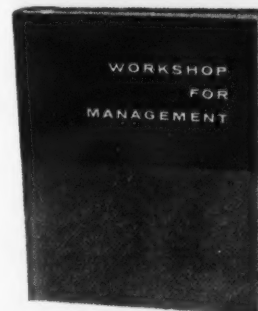
1. Screening calls.

Is there *really* any reason why you shouldn't take your own calls directly instead of asking your secretary to determine the identity of the caller? At Lincoln Electric, the chairman of the board takes his own calls without screening, except when involved in conferences. So does every other executive. The occasional mis-directed call is speedily re-routed. No time is wasted for our callers, and the man with legitimate business is connected directly without delay.

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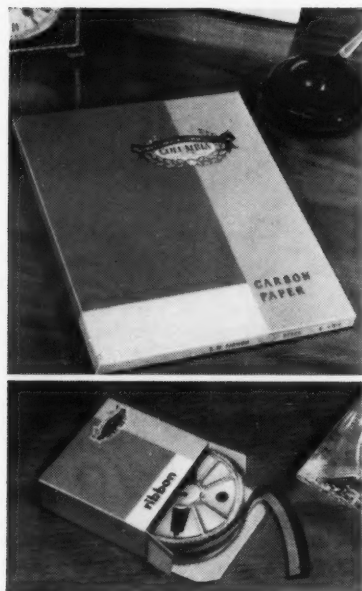
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"Who's calling?" try this phrase: "I am not permitted to give out that information!" In most cases, you will find a startled silence at the other end of the line and a quick connection to the man you should have reached in the first place!

2. Secretarial handling.

When you are out of your office, does your secretary do her best to render service to your caller? If a visitor comes to your reception lobby, does she actually greet him in person, determining whether she can refer him to another person or secure information herself which may be helpful to him? Careful secretarial handling of telephone calls builds goodwill and increases profits. How many times has a young lady telephoned the following phrases when you have inquired about her boss: "He hasn't come in *yet*," or "He's not back from lunch *yet*"? Then there is that lovely one: "He's gone for the *day*." All of these frequently-heard phrases have one thing in common: they reflect improperly upon the boss. No company can afford to have such reflections upon its managerial staff. Consequently, we believe it is important to run regular training sessions for telephone-answering personnel to make sure they know the correct, courteous ways of handling telephone inquiries. The Ohio Bell Telephone Co. does an expert job along these lines. A popular and regular feature of our employee training work is a session conducted by a skilled young lady from the telephone company. The meeting includes a movie, voice recording and playback, and a discussion of proper answering phrases for all varieties of situations.

3. Telephone service surveys.

Did you realize that your telephone company may be willing to privately observe 50 calls, telling you just how those calls were handled by your telephone-answering staff? At Lincoln Electric, our chief operator welcomes this check on the quality of service being rendered by her staff. The executive in charge of telephones receives this important information, too.

4. Adequacy of trunk lines.

The telephone company is glad to make a "busy study" to indicate how many times your callers have received busy signals on your trunk lines. Similarly, a special meter can be attached to your outgoing dial trunks. It indicates how many times people inside the company have received a busy signal when attempting to dial an outside call. Surveys such as these can be helpful in measuring the adequacy of your telephone service. They help determine whether you might be losing business because people are unable to reach you promptly.

5. Telephone intrusions.

Before we leave this subject of manners, let's review an experience common to most of us. For days we have waited for a chance to see an important businessman. We have prepared our material. We recognize the importance of his time. We are ushered into his presence, but after the first 30 seconds his telephone rings. Some gentleman who has not prepared his material and who has not waited for days has gained immediate access to this man via a telephone intrusion. While we sit and waste valuable time we listen to our executive spending his time and ours on a matter which could have been handled easily by a memorandum, a letter, or even a referral to a subordinate.

What should we learn from this?

First, that when it is difficult to arrange appointments with a busy man it may be much easier to transact our business by telephone, particularly if the gentleman prides himself on answering all telephone calls.

Second, that if we should be in the position of the executive conducting the interview, we should have the courtesy to let our secretary answer the telephone, offering to have us call back when we are free. There is nothing more annoying to a visitor than constant telephone interruptions.

6. Answering delays.

If time is money, then we should respect our callers' time by answer-

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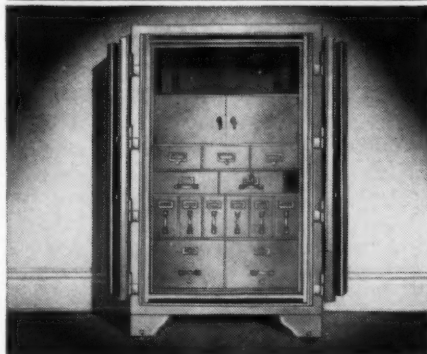
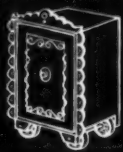
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Box 1A, Management Methods

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(Circle number 800 for more information)

ing our own telephone promptly. A busy man is always annoyed at a "dead" line. He doesn't know whether or not his call is receiving attention. Perhaps an untrained operator is forgetting to "supervise" her calls. But more often, the businessman neglects to answer his telephone promptly. A regular telephone survey will spot this kind of trouble. A little educational effort will help, too. In one survey, the telephone company found that there was a delay of 30 seconds or more on answering 25% of the incoming calls at a typical company. You can imagine the wasted time and frayed tempers caused by such delay. Good telephone manners require prompt answering of your telephone extension.

Telephone credit cards

The Bell System has recently simplified its handling of credit card calls, requiring only the credit card number itself with no other identifying information. Each member telephone company issues credit cards to persons for whom the employer assumes payment responsibility. Such cards are very helpful to traveling personnel. They avoid questions of reimbursement when long distance calls are made on customer's or vendor's telephones.

Those who have PBX service must occasionally issue an internal telephone directory. If you have not already done so, try the visible panel index system for such directories, using the photolithography process. By mounting each name and number on a small card, then accumulating the cards on a panel, the directory can be issued more often, as re-typing is required only for number and name changes. This substantially decreases costs of printing and proofreading. m/m

Next Month

TELEGRAM COSTS

Successful as Lincoln Electric Co. has been in reducing telephone costs, it has been even more successful in controlling the expense of telegrams. For example, since 1948 it has reduced its per message telegram costs by more than 40%. The methods used to achieve this saving will be described by Mr. Griesinger in next month's issue.

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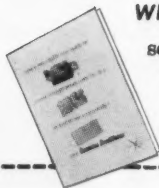
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CUMMINS-CHICAGO CORPORATION

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How fringes build output

(Continued from page 29)

came out one day to find out why they had never gotten a complaint from any of our employees—thought we kept them chained up at night, I suppose. Well, they started digging and finally jumped on our optional guaranteed annual wage—they decided we were gouging our people.

At that time we had no Credit Union and our hourly workers sometimes were unable to borrow small sums of emergency money because they couldn't give a bank or a loan company an exact statement of their future weekly or monthly earnings. Now, to me that is a very unfortunate thing. An executive or a salaried employee can borrow from a bank on the basis of known future earnings. But an hourly person isn't always in that position. So what we did was to set up drawing accounts wherein an hourly worker could, if he chose, receive a specified weekly wage regardless of whether he actually earned that specific amount that week or not. That part was fine with the Wage and Hour people but they had to be convinced that we were paying our people the wages they earned over and above their drawing accounts. Of course, we were—in a lump sum at the end of the year. But we've now changed that so an employee can draw his excess earnings anytime he wants to.

About two-thirds of our hourly people are working under this optional guaranteed annual wage plan now, and nearly all are still taking their excess earnings in a lump sum at the end of the year. This seems to work out nicely—takes care of Christmas bills.

EMPLOYEES GET 22% RETURN ON INVESTMENT

Q. Speaking of investments, what are the mechanics of the program you mentioned wherein your employees get a 16% to 22% return on their investment without risk of capital?

A. We've worked out an extra dividend arrangement for members of our Credit Union. Under the law it can pay only a 6% dividend, but

"We automated to reduce the need for human muscle power in our many warehousing operations."



there's nothing in the law that says extra returns can't be paid for extra operations.

Some food and trucking companies maintain branch offices in our building and their employees—as well as our own—use the lunch and snack bar concession run by our Credit Union. This earns a handsome profit, which goes toward those extra dividends. Additional profit comes from our 500-space parking lot. The Dallas Sportatorium happens to be across the street from us and the Credit Union operates our parking area at night as a public parking lot at 35¢ a car.

Q. Are most of your employees members of the Credit Union?

A. Yes, it's too good a deal to miss.

SCHOLARSHIPS FOR EMPLOYEES' CHILDREN

Q. You mentioned a scholarship program for children of employees. How does that plan work?

A. It's just begun to function recently, although we announced it several years ago. We are a reasonably young company and most of

our employees are young. Their children are just now beginning to graduate from high school. Our proposition is this: if an employee's son or daughter graduates from high school in the top 15% of his class, the company will pay \$1,000 toward his tuition and expenses for the first year at any college in the country. If he makes a "C" average the first year, we'll do the same for his sophomore year, and so on until he graduates. Some of our employees have pretty big families; we'll probably have 20 or 30 scholarships in effect within the next 10 years.

Q. Are there any other major aspects of your employee benefits program?

A. No, that about covers it. Of course, we have the usual participating life insurance program and cash awards for the best suggestions to improve operations and service.

Q. How about a pension plan?

A. That's something we haven't gotten around to yet. Very few of our people are near retirement age. We have just one retired man



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MANAGEMENT METHODS

who came to us through a merger. He draws maximum Social Security payments and, as a gesture of future policy, our company pays him a pension of \$100 a month. That's the practical maximum under present Social Security rules.

MEASURING THE RETURN

Q. Now, Mr. Alford, these benefits you have described undoubtedly cost your company a sizable amount of money—and they'll probably cost a lot more in the future. By most standards, your company is not particularly large. For example, even though you're the world's biggest refrigerated warehouse, you have only 180 employees. Yet the kind of benefits you offer your people are those usually thought of as possible only for very big businesses. You said that the investment you make in these benefits actually contributes to your profit. Would you explain just how the payoff comes about?

A. Well, in the first place, it's my company and part of the return comes to me personally. Why? Because there's less wear and tear in getting maximum effort and efficiency from a happy organization than from an unhappy one.

But to bring it down to a basis of dollars and cents, the most obvious return is from our low rate of turnover. Not counting women employees who leave to have babies, only 10 of our people have quit or been fired in the past two years. We think that's a pretty good record, especially in view of the fact that 130 of our 180 people are dock and warehouse workers. Our turnover averages out to about 3% a year. One of our fairly large competitors has a turnover rate of about 18%. If you figure the average cost of hiring and training a man at \$1,000, we probably save \$25,000 to \$30,000 a year in new employee expenses.

But that's only a small fraction of the company's actual return on the employee benefit program.

Q. What accounts for the rest of this return?

A. It comes from increased efficien-

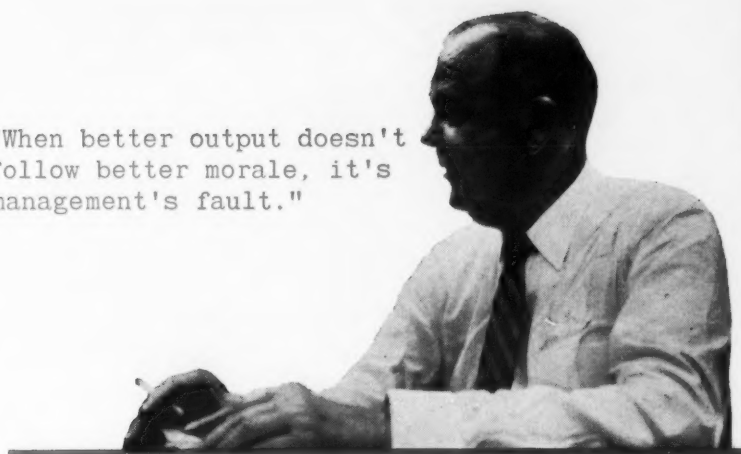
cy due to lengthy job experience and positive attitudes toward the job. Experience is extremely important with us, particularly among our supervisory personnel. Our two adjoining warehouses here in Dallas are each 1,750 feet long and 250 feet wide. They contain hundreds of different storage areas. And there are a number of different operations to be reckoned with—cooling, freezing, processing and so on. A good warehouseman has to be familiar with almost every phase of the operation and with every storage area. Our key men know every inch of these warehouses. They ought to—they built them.

Q. Your supervisors built your warehouses?

A. That's right. They supervised and directed every bit of the construction. You see, these warehouses are built according to my own ideas of refrigeration, insulation and materials handling. When I called in warehouse contractors back in 1946 they told me my designs wouldn't work, that my proposed construction methods wouldn't hold up and that to do the job right would cost \$8 million instead of the \$4 million that was available to me.

Well, I fired the contractors. My architect, M. C. Kleuser, and our vice president in charge of engineering, Elliott Hallowell, helped me figure out construction methods that would allow us to use inexperienced construction workers. Then we went to the Texas Employment Commission and put in an order for foremen—preferably

"When better output doesn't follow better morale, it's management's fault."



ex-servicemen who had been sergeants or company grade officers. They handled the construction and—well—the buildings are still here and maintenance has been very low. Many of those men who bossed construction of the buildings are working as foremen and superintendents with us now. Their efficiency, knowledge and experience are among our greatest assets. Naturally, such key people draw considerably more pay than they would in similar jobs with other companies.

Q. You mentioned that your benefits program helps to improve the attitude of your people. Do you mean you get greater efficiency from higher morale?

A. Exactly.

Q. Well, you know there have been some studies that show that increased efficiency doesn't necessarily go hand-in-hand with improved morale.

A. I'm aware of those studies but I can't help feeling that when better output doesn't follow better morale it's the fault of management—due either to lack of planning and analysis, or lack of leadership. However, by attitude I'm talking about something considerably more than morale alone. I mean a man being on the job under the kind of personal adjustment conditions that permits him to do his best work.

Now you take the average married employee. He's not like a corporate executive with a super-drive for success that doesn't even permit him time to get acquainted



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with his family. This average guy's whole life centers around his family. He worries about keeping his job so he can take care of them. He worries about being able to buy the best medical care if there is serious illness. He worries about whether he can give his children a good chance in life, a college education if they want it.

These kind of worries build up tensions which distract men and keep them from working easily and achieving their potential capabilities. We believe that our people are relieved—partially through the benefits program—of most of the major worries that cause tension. They work more relaxed. Naturally their efficiency is going to be greater than that of the average employee in most companies.

Q. Have you any before-and-after figures to support this point?

A. I don't have any "horrible example" figures for you because even in our early days we tried to avoid bad conditions. But I can cite some figures for you. I've already mentioned our 3% turnover rate, by far the lowest in any major American warehouse company. Our absenteeism rate is substantially un-

"Our output rate per manhour for our entire operation is three times the industry average."

der the industry average. Our pilferage rate is negligible—none's been reported during the past year. Our breakage and damage record is also very strong. In one of our smaller warehouses we handled more than 60 million pounds of food in 12 months with a loss of less than \$1,000. Our accident rate is another indication of the advantage of men working under minimum tension—in the past year we have not had a single serious accident.

WORKER OUTPUT IS THREE TIMES INDUSTRY AVERAGE

Q. What about the production rate of your workers? Have you any figures that show your comparison with the rest of your industry?

A. Yes. According to the best information we have been able to obtain, our man-tonnage rate per hour for our entire operation is three times the industry average.

A number of warehousing firms have begun to mechanize their materials handling methods the way we've done. But as far as we can determine, even these companies have only about one-half or two-thirds our man-tonnage per hour.

I sincerely believe a big part of our answer must be our benefits program—and the general attitude we try to direct toward our people. If machines and methods are comparable, any decided advantage must lie in the knowledge, skill and attitudes of the men who operate the machines.

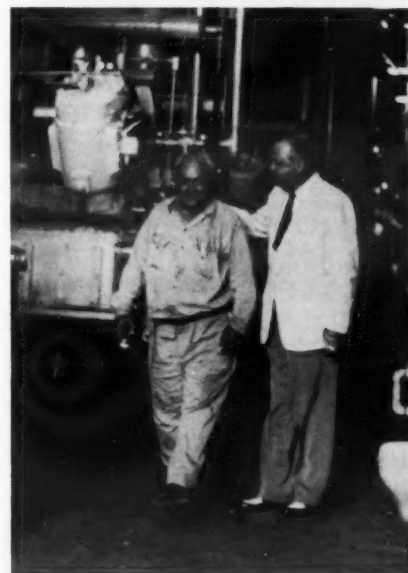
Q. Do you think a program of employee benefits that is as liberal and generous as yours would work equally well for companies in other fields?

A. In general, I'd say yes. Even in routine assembly-line production, proper leadership and proper attitudes among employees can bring great increases in production with no strain on the workers.

Of course, a personal relationship between top management and individual workers like the one we've been able to build isn't always possible in big plants that

employ thousands of workers. And that personal relationship makes a big difference. I consider it part of my job to personally listen to workers who have complaints or need assistance. For example, one of our Mexican dockhands was in trouble not long ago and he came in to tell me about it. He was in alimony trouble because he hadn't fully understood the judge's instructions at the divorce hearing. I phoned the judge, made an appointment and drove the boy over to the court. We got things settled to everyone's satisfaction in a few minutes. That boy and his friends think this is a good place to work—and they don't mind putting in a good day's work.

Even in large plants, however, the management attitude is going to trickle down. If the top man treats his department heads with consideration, the foremen will almost automatically handle their men the same way. And that's the main thing the worker wants. Give him a square deal and he'll give you one in return. m/m



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HOW MUCH

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WHEN to make

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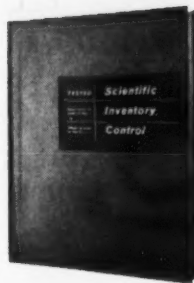
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SCIENTIFIC INVENTORY CONTROL

by W. EVERT WELCH, Director of Purchasing, Aeronautical Division, Minneapolis-Honeywell

168 pages, 8½ x 11, illustrated, \$12.50

This book shows how modern business mathematics can give you the answers to "how much to buy" and "when." But you don't have to be a mathematician to read and use it. 86 easy-to-understand tables and figures lead you by the hand through proved-in-use formulas that are now being used to control inventory in dozens of well-managed firms.

Here's a partial list of contents

- Chapter 1. Why formulas are advantageous in the determinations that create inventory.
- 2. How to analyze inventory in terms of relative annual usage to properly allocate emphasis to various parts.
- 3. How to identify the two segments of any inventory: stock for usage and protection against stockout.
- 4. How to make cost reductions in working inventory without making the usual cost studies of carrying inventory or order placement.
- 6. How to make and use a large variety of tools for order quantity determination.
- 7. How to modify order quantity decisions where there are tooling or setup charges or where the price changes at fixed quantity discount points.
- 8. How to use order formulas where the projected usage is a variable.
- 12. How to evaluate leadtime data in the determination of reorder points.
- 13. How to evaluate usage data in the determination of reorder points.
- 14. Why stock failures as a percentage of the number of orders is only a partial answer to satisfactory inventory performance.
- 15. How to prepare a formula for manual or data computer use and for over-all improvement of inventory performance.
- 16. How to make use of scientific principles in a typical application to a simple inventory.

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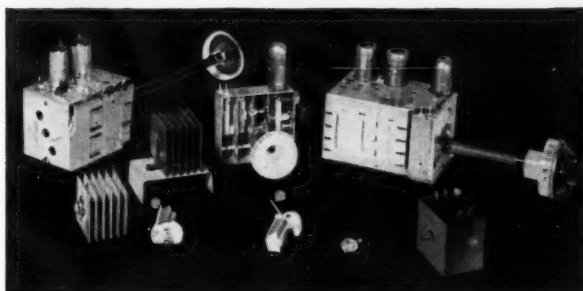
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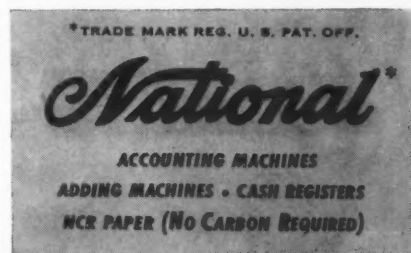
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